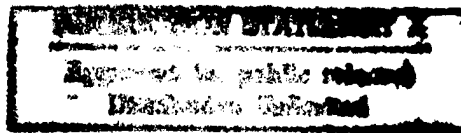


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# China Report

RED FLAG

No. 6, 16 March 1982

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4 June 1982

## CHINA REPORT

## RED FLAG

No. 6, 16 March 1982

Translation of the semimonthly theoretical journal of the Central Committee of the Chinese Communist Party published in Beijing.

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## RESTRUCTURING ADMINISTRATIVE ORGANIZATIONS IS A REVOLUTION

Beijing RED FLAG in Chinese No 6, 16 Mar 82 pp 2-5

[Article by Editorial Department]

[Text] The party Central Committee has grasped restructuring administrative organizations as its number one task since the beginning of this year. At present, this task is being carried out first by the central party and government organizations and will then be carried out level by level in a planned way throughout the country. The vast numbers of cadres and the broad masses of the people are inspired and they enthusiastically support the current restructuring. There is no doubt that the party Central Committee's important policy decision on restructuring administrative organizations enjoys immense support from the whole party, the whole army and the people of the whole country.

Why do we now have to restructure administrative organizations? With the promotion of our socialist modernization programs, the situation in which our country's production relations and certain aspects of the superstructure are not suited to the development of productive forces is becoming increasingly serious and conspicuous. For example, the intolerably serious bureaucratic tendencies and low efficiency have resulted from overlapping and overstaffed administrations with their multitiered departments crammed full of superfluous personnel who are in posts with no clearly defined duties and who are engaged in endless haggling and shifting of responsibility. These have actually become serious obstacles to the promotion of our modernization programs. If we are not determined to go in for restructuring, it will be hard to keep up no matter how correct the party's line, guiding principles and policies are and no matter how fruitful our work has been. We cannot just sit here and unfeelingly watch our party and government organizations becoming devoid of vigor and efficiency. Being devoid of vigor and efficiency obstructs the full implementation of the party's correct line, guiding principles and policies and stops us from scoring greater achievements in our work. Of course, our whole party must not remain different toward this state of affairs; otherwise, as executors of the people's instructions, can we still have a clear conscience?

Let us look back on the historical events of the past 5 years. Since October 1976 our party has fulfilled three very important tasks of profound historic

significance. The first very important task was the smashing of the counter-revolutionary clique of Jiang Qing. This smashing extricated the party from calamity and saved the revolution. The second very important task was the convocation of the 3d Plenary Session of the 11th CCP Central Committee. This convocation revived the party's ideological line of seeking truth from facts, began bringing order out of chaos in an all-round way and determined the shift of the focus of the party's work. The third very important task was the convocation of the 6th Plenary Session of the 11th CCP Central Committee, which approved the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC," summed up both positive and negative experiences, correctly evaluated the historical role played by Comrade Mao Zedong and Mao Zedong Thought in the Chinese revolution and pointed out the orientation for the continued advance of our country's socialist cause and the work of our party. At the same time, this plenary session also readjusted the leading group of the CCP Central Committee, thus enabling the party Central Committee to have a very strong and united leadership core. The decision to restructure administrative organizations and thoroughly reform the cadre system is the fourth very important task which is being carried out by our party. This very important task has a great bearing on making continued efforts to open up new prospects and give full play to the superiority of the socialist system. It also has a very vital bearing on whether we can carry forward the organizational line and forge ahead into the future so as to guarantee the successful promotion of our modernization programs, and will affect the rise or fall of our party and our country. If this task is fulfilled successfully, our country will have great order and stability for a long time to come and will also prosper. It is quite clear that due to the successful fulfillment of the three very important tasks mentioned above, the major policies of our party and our country have been determined and the situation of unity and stability is being consolidated day by day, thus creating conditions for successfully carrying out the fourth very important task. Vast numbers of cadres and the masses have longed for the streamlining of administrative organizations and the reforming of the cadre system for a very long period of time and the great majority of the people of our country have achieved a common understanding of the streamlining and the reform. The longing and the common understanding have laid the ideological foundation for successfully fulfilling this important task. The party Central Committee has conscientiously summed up historical experiences and adopted, after careful consideration, the correct guiding principles, policies and measures for carrying out the restructuring. This offers a solid and reliable guarantee for the successful fulfillment of this task. In particular, while proletarian revolutionaries of the older generation and many of our party's long-tested, loyal and devoted comrades are still living and in good health, we should avail ourselves of this golden opportunity to rely on their experiences, wisdom and prestige to carry out the restructuring. Therefore, we must be resolute, surmount difficulties in and obstacles to the restructuring and strive for victory in the restructuring.

With regard to the current restructuring, Comrade Deng Xiaoping clearly noted: In a certain sense, restructuring administrative organizations is a revolution. However, this is aimed at revolutionizing administrative

organizations and the system, and it is not a revolution against people. This is a very penetrating judgment which clearly points out the character and the mission of this revolution. Of course, it is not a political revolution in which one class overthrows another class. We have drawn a conclusion from the "Great Cultural Revolution," which was a civil disturbance: Under the socialist conditions, this kind of political revolution had neither an economic basis nor a political basis. In this sense, we deem that restructuring administrative organizations is imbued with a revolutionary character. This is because the restructuring is aimed at reforming those parts of our party and government organizations that are incompatible with our socialist modernization programs. In other words, this is a revolution against overstaffed organizations, irrational systems and all sorts of bureaucratism. There should be no misunderstanding of this point. A revolution that is imbued with this kind of character must be carried out under the leadership of our party and through the socialist system. Moreover, we must adopt measures that conform to the PRC Constitution and the party constitution so that we can carry out a well-guided, systematic and orderly revolution and further improve and strengthen, within the framework of the leadership system, the state system of the people's democratic dictatorship. This is essentially the socialist superstructure going through a process of self-regulation and self-perfection to eliminate its own defects. It is imperative to go through a long process in turning those relatively imperfect and unsound parts of our country's socialist superstructure into relatively perfect sound ones. The development of socialist productive forces will certainly require the timely and resolute reform of those specific systems that hamper the development of the productive forces. This is the demand made of us by the logic of historical development.

In fact, the basic theory of the current revolution was advanced long ago at the 3d Plenary Session of the 11th CCP Central Committee. The communique of the third plenary session noted: "Carrying out the four modernizations requires great growth in the productive forces, which in turn requires diverse changes in those aspects of the production relationships and the superstructure that are not in harmony with the growth of the productive forces, and requires changes in all methods of management, actions and thinking that stand in the way of such growth. It is, therefore, a profound and extensive revolution." This theory has been further expounded in the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC." The "Resolution" noted: The process, from the implementation of socialism until communism is finally realized, is a great revolution, unprecedented in human history. "Differing from the revolutions before the overthrow of the system of exploitation, this revolution is carried out not through fierce class confrontation and conflict, but through the strength of the socialist system itself, under leadership, step by step and in an orderly way." The "Resolution" added: Our present endeavor to build a modern socialist China constitutes but one stage of this great revolution. Our current restructuring of administrative organizations is precisely a major strategic move at this stage. It essentially demands that we use the revolutionary spirit to thoroughly restructure our country's leadership and management systems including the cadre system. Historical experience gained since the founding of the PRC shows that with the exception of the "Great

Cultural Revolution," which was a civil disturbance, although the streamlining of administrative organizations and the fight against bureaucratism have been carried out many times, the "streamlining" always ended up with more unwieldy organizations and with bureaucratic phenomena as rife as before. Practice has proved that if we just treat symptoms and not the disease, we will never be able to solve fundamental problems. The current accumulated problems in party and government organizations at all levels and also in the cadre system are more serious and complicated than those before the "Great Cultural Revolution." If we are not determined to carry out a revolution, we will not be able to streamline administrative organizations, will not succeed in reforming the management system and the cadre system and will also fail to overcome bureaucratism. If things continue this way, our modernization programs will become hopeless programs and our party and our country will even be in danger of being subjugated.

What, then, are the main contents of this revolution?

First, it is imperative to conscientiously streamline administrative organizations. To promote our socialist modernization programs, all our administrative organizations must have scientific division of labor, clearly define the duties incumbent on each person and post, handle affairs promptly and correctly and reach unanimity through consultation. Therefore, the current restructuring must proceed from actual needs; determine the organic structure, the number of required personnel and the tasks of each organization; and establish a stringent system for checking on working personnel of the state and a stringent system of rewards and penalties for working personnel of the state. Through the restructuring, we must turn our administrative organizations into able and efficient ones and raise work efficiency. We must conscientiously eliminate the malpractices resulting from overlapping and overstaffed administrations with their multitiered departments crammed full of superfluous personnel who have no clearly defined duties in their posts and resolutely overcome the phenomena of shirking responsibility and taking a dilatory and irresponsible attitude toward work.

Second, it is imperative to carry out a fundamental reform of the cadre system. This means abolishing the existing life-tenure system of leading cadres. On the one hand, we must establish a system to enable old cadres to retire, to leave jobs for convalescence or to withdraw to the second line. This system is fundamentally different from "remaining a revolutionary to the end of one's life." On the other hand, we must also pick the good and select the capable for public posts. This means promoting a large number of young and middle-aged cadres to leading posts at all levels and, depending on their integrity and ability, to turn our leading groups into revolutionary, young, learned and professional groups. Only by so doing can we put an end once and for all to the aging circle within leading groups. The key to reforming the cadre system lies in selecting young cadres. We must select good cadres and insist on having cadres who have both ability and integrity. We absolutely must not promote those people who built themselves up by following Lin Biao and Jiang Qing and their partners and by becoming rebels; those people who are imbued with serious factional ideas; those people who were engaged in beating, smashing and looting; and those



people who have violated the law and discipline in either the political field or the economic field during the past few years. Such people who have already been promoted to leading posts must be resolutely dismissed from their posts.

Third, it is imperative to do well in training cadres in rotation. According to the new demand set on our cadres by the historical tasks of the new period, our cadres not only must have lofty revolutionary ideals and the spirit of being brave in devoting themselves to the revolutionary cause but must also have competent scientific and cultural knowledge and the professional ability to carry out work. Many of our cadres have met the requirements after tempering and educating themselves over a long period of time. However, a considerable number of cadres, for various reasons, have not met or have not fully met the requirements. Therefore, it is quite necessary to train cadres by stages and in groups, strengthen the building of the cadre ranks, enhance the quality of the cadre ranks and enable our cadres to master the skills needed for organizing domestic economic construction and developing economic relations with foreign countries.

Fourth, it is imperative to lay the foundation for the reform of the whole country's implementation of an overcentralized management system in the economic, political and cultural fields and also in social life, our party and government organizations and departments administered many affairs that should not be and cannot be administered by them, and administered many affairs that can never be successfully administered by them. Therefore, we must take the current restructuring of administrative organizations as the forerunner and further reform the whole country's management system. Affairs that should be handled by enterprises and public units must be resolutely given to such enterprises and units, and such affairs must no longer be handled by party or government organizations. We must also draw a distinction between party and government work and truly change the long-standing phenomena of there being no distinction between party and government work and of the party neglecting party work.

Obviously, the task of completing, within a relatively short period of time, this restructuring, which is of such great revolutionary significance, is a very arduous task. How, then, are we to fulfill this task? A revolutionary cause must be accomplished with a revolutionary spirit. The revolutionary spirit we are referring to is the thoroughgoing revolutionary spirit that embodies the intrinsic quality of the proletariat. The proletariat is the last exploited class in history. Only by emancipating all mankind can the proletariat achieve its own complete emancipation. The historical mission of the proletariat is to remold the whole society and to realize communism. The accomplishment of this great cause demands that within a very long historical period of time, many generations must carry on the struggle unremittingly and with strict discipline, solidarity and the courage to devote themselves to the cause. This is precisely the thoroughgoing revolutionary spirit of the proletariat. As a major strategic move during the historical period of carrying out our socialist modernization programs, the great task of restructuring administrative organizations can only be accomplished with this kind of thoroughgoing revolutionary spirit. The

unwieldy administrative organizations we established have become our customary form of management. To reform this form of management, we must change our patterns of action, our mode of thinking and those old habits, ideas and styles which were created by the narrow view of small producers. This is bound to conflict and clash with our own feelings, habits and personal interests. Certainly, the reshuffling of administrative organizations, the division of labor and work coordination in all fields, formulating stipulations concerning the limits of authority and duties and particularly personnel changes that affect tens of thousands of people are all very arduous tasks. In addition, it is possible that some out-and-out individualists and some people with ulterior motives will seize the opportunity to make trouble. Therefore, we have to maintain due vigilance. We must use the revolutionary spirit to overcome all difficulties and obstructions. When this kind of revolutionary spirit is manifested in the guiding thought for the restructuring, it means pressing forward with indomitable will and being fully confident of achieving the inevitable victory. When this kind of revolutionary spirit is manifested in actions for the restructuring, it means being firm and unshakable and also means that no matter how complicated and difficult the conditions are, one must not hesitate or compromise, still less give up halfway. When this kind of revolutionary spirit is manifested in the measures for the restructuring, it means that the criterion of giving all to meet the needs of the revolution and the construction should be adopted, that administrative organizations must be streamlined and that each staff member must be charged with specific responsibilities. When this kind of revolutionary spirit is manifested in the demands set on each individual, it means that every individual must take the interests of the whole into account, set store by the revolutionary cause and subordinate one's personal interests to the overall, long-term and fundamental interests. The current restructuring must meet the following demands made by the party Central Committee: Improve the quality of work and raise work efficiency in all administrative organizations and guarantee a successful realization of our modernization programs. In short, during the current restructuring, we must attach primary importance to having great determination and attach secondary importance to being meticulous in work. We must conduct thoroughgoing and painstaking ideological and political work, and inspire and heighten all party members' and cadres' awareness and sense of discipline in responding to the call of the party Central Committee. However, being meticulous does not mean being overcautious. If we are bogged down in meaningless worries, are pinned down by minor questions, cannot step forward and cannot make a breakthrough, we will not be able to fulfill any major task for the revolution or the construction.

We should especially point out that the presence of our veteran cadres is the major factor that will guarantee the success of this revolution. Our country is a socialist country established after going through a protracted revolutionary war. Our country has a group of veteran cadres who withstood tests in different revolutionary periods and who are now the precious riches of the party and the state. Our veteran cadres performed feats that can never be obliterated, for the party and the people during the war years, during the period of White terror and during the struggles to establish and consolidate state power and to develop the socialist cause. The history of

the Chinese revolution and construction has repeatedly proved that veteran cadres of our party are worthy of the title, backbone of the great cause of the Chinese people. However, the life of an individual is limited and the knowledge and experience of an individual are also limited. An individual can only play a certain role for a certain period of time in the long process of history. With the passage of time, many of these veteran cadres, who are still living and in good health, become, after all, senescent and weak. Their ability to shoulder heavy burdens is steadily decreasing. This is a natural law that is irresistible. We must solve in an orderly manner and in a planned way the problem of replacing veteran cadres with new cadres in order to carry forward the cause pioneered by proletarian revolutionaries of the older generation. We must guarantee the continuity of the party's line, guiding principles and policies, the inheritability of the party cause and the maintenance of the situation of unity and stability in our country. If the replacement of veteran cadres with new cadres ends in failure, our party and state may face upheavals once again. All our veteran cadres must take on these important political responsibilities. They should regard completing the current restructuring of administrative organizations, retiring from office or withdrawing to the second line according to regulations, picking the good and selecting the capable for public posts and recommending and promoting able and politically reliable successors as the greatest contributions they can make to the party in their later years and also as their most glorious historical mission. As a big party and a big country, the CCP and China need several dozen veteran cadres to stay at the central leading posts of the party and state so that they can stabilize our battle formation. The several dozen veteran cadres must be world-famous, circumspect and farsighted, have the aptitude of being able to take the whole situation into account and plan accordingly and still be very energetic. Other veteran cadres must gloriously "retire from military service" according to regulations after reaching a certain age. In their later years, veteran comrades must attach primary importance to taking good care of their own health and attach secondary importance to maintaining links with the masses and developing public welfare business. In particular, they should participate in the social activities of educating the younger generation and continue writing and complete their own revolutionary memoirs.

This will be a rigorous test, related to a reform in the fundamental interest of the people of our country, of the party spirit of every party member and cadre. We believe that in this test the great number of our party members and cadres will prove to be loyal to the party, loyal to the people, and not disappoint the expectations of the party and people.

CSO: 4004/29

WILLINGLY SACRIFICE ONESELF FOR THE PARTY'S CAUSE--NOTES ON 'HOW TO BE A GOOD COMMUNIST'

Beijing RED FLAG in Chinese No 6, 16 Mar 82 pp 6-9

[Article by Chen Yeping [7115 6851 5393]]

[Text] Liu Shaoqi's "How To Be a Good Communist" stands out as a masterpiece in the Marxist literature of the party and has had a profound impact on our party. In the course of long revolutionary struggle and reconstruction it has helped the healthy development of millions of Communist Party members, and has played a very important role in the establishment of party members' proletarian world outlook, the strengthening of party spirit, the preservation of the party's nature as the vanguard of the proletariat and the raising of the party's fighting force. By studying this brilliant document "How To Be a Good Communist," contained in the first volume of the "Selected Works of Liu Shaoqi," we will come to appreciate the immortality of its thinking and also to realize that it is a sharp weapon that can be used to strengthen the party's construction. It should be used to guide the party's comrades in their efforts to improve self-cultivation in their struggle and self-sacrifice for the completion of the great communist cause.

I

Communist Party members should willingly sacrifice themselves for the party's cause. They must first of all develop an unshakable faith in the invincible nature of the communist cause and the great ideals of communism. Only when one has ideals and faith can one attain a lofty realm of thought, clearly determine the target of struggle and direction for work, protect vigorous and revolutionary ambition, willingly sacrifice oneself for the great communist cause, and struggle one's whole life for the party's cause.

Faithful and unyielding in their commitment, innumerable revolutionary martyrs and old proletarian revolutionaries dedicated their own blood and lives to the heroic cause of opening up the broad revolutionary path. The revolutionary martyr Xia Minghan righteously shouted: "As long as we are right it does not matter whether or not you decapitate me. You may have killed Xia Minghan but there will always be others to take my place." Filled with the faith the martyrs had in the invincible cause of communism, these resonant words express a boundless faith in those "people who will take my place." It was

their commitment to the communist ideal and their faith in the certain victory of the communist cause that allowed them to have such lofty sentiments and to willingly dedicate, without any fear of hardship or sacrifice, all their energies and even their life to the communist cause. The vast majority of party members today, whether they be party members who withstood the test of war and the period of White terror or those who joined the party during peacetime, all of them are filled with confidence in the cause of the martyrs and old revolutionaries. They will struggle resolutely and tirelessly for the lofty ideal of communism and using the sweat of their own arduous labor, they will write the glorious historical poem that the martyrs left unwritten.

However, there are also a few party members, including certain old party members, whose communist ideals have begun to flag and whose faith has begun to waver owing to the corrosive influence of bourgeois thinking. Caring only for personal gain they have forgotten the aim of communism and have no concern for the future of either the party's or country's cause. Some even go so far as to say, "Ideals, ideals--if there is no profit it's not worth thinking about; future, future--forget it if there is no money." Some people are dispirited, losing confidence and becoming depressed as soon as they run into difficulties or suffer a setback. As soon as they see the bleak side of a situation they either lose all hope and become pessimistic or stand to one side spreading negative feelings. It is quite clear that such ways of thinking have nothing in common with the lofty spirit of the revolutionary martyrs. Anyone who has such an attitude cannot be called a member of the proletarian vanguard.

Struggling through to the end for the communist ideal is the loftiest of our party's principles and is the sacred and lifelong task of all party members. As Comrade Liu Shaoqi said, "It is our responsibility to follow the laws of human social development and promote the development of the communist and socialist causes so that communist and socialist society may soon become a reality." ("Selected Works of Liu Shaoqi," Vol 1, p 123) Whether a communist is worthy of the name hinges primarily on whether he has the determination to struggle to the end for the communist cause and whether or not he will willingly sacrifice his life to the party's cause without a moment's hesitation. Irrespective of the time or circumstances, every true communist should maintain an unshakable faith in the invincibility of the communist cause and should adopt the heroic attitude of "sacrifice for the revolution." Striving to overcome all difficulties that obstruct their heroic advance, the communist should work for the thorough victory of the communist cause and must be willing to shed his own blood in writing this new chapter.

The communist cause marks a completely new stage in human history. It is inevitable that as it advances forward it will run into various problems and difficulties. This was true during our country's period of democratic revolution as well as during the period of socialism. During the 32 years that have passed since the founding of the PRC, we have had both the experience of success and the lessons of failure, times of smooth development and also times of serious setback. Certain mistakes made in the guidance of our work have been detrimental to our cause. Some unhealthy

thinking and work styles still exist in our party, seriously damaging the relations between the party and the masses. The 10 years of destruction brought about by the counterrevolutionary cliques of Lin Biao and Jiang Qing were catastrophic for both the party and the people of the whole nation. We should adopt an attitude of historical materialism in dealing with these difficulties and setbacks, and should reach a correct understanding through analysis based on seeking truth from facts. We must certainly not allow these mistakes and shortcomings in our party's work to undermine our firm faith in the party. Even less should we see the catastrophic destruction wrought by Lin Biao and the "gang of four" as the product of the socialist system itself. Whether or not a party is a truly Marxist political party depends not on whether or not it makes mistakes but on whether or not it has the courage and strength to overcome its own mistakes. The question, therefore, is not whether complications occur during the forward march of socialism, but whether or not we can draw the lessons and summarize the experiences of these complications and continue to move forward along the correct road. Facts show that our party is not only good at following the tide of history, courageous in fighting the forces of evil, and overcoming difficulty and hardship, but also dares to reveal its own shortcomings and errors, and actively seeks to correct and overcome them. Especially since the 3d Plenary Session of the 11th CCP Central Committee, our party has pursued a policy of bringing order out of chaos, establishing a Marxist ideological, political and organizational line and determining a series of important principles and policies. By correctly summarizing historical experience, our party has found a path toward socialist modernization that suits the national characteristics of our country. As a result, the national economy is now advancing healthily and steadily along the correct track. Our future prospects are glorious. Our cause has great hope. Feelings of pessimism, hopelessness and dispiritedness are all incorrect.

Addressing himself to those comrades who lacked ambitious ideals and a practical spirit, Liu Shaoqi in "How To Be a Good Communist" emphasized that, "We Communist Party members must have the highest goals in our struggle and the highest ideals, while at the same time we must have a practical spirit and do real practical work." "Only by combining the great and lofty ideals of communism with a real practical spirit can one be a good communist." (ibid., pp 128-129) These words still have great significance today and merit serious attention. A person without lofty ideals will never be anything more than a shortsighted and ineffectual mediocrity. A person who lacks a practical spirit and does no real work will be a prattling onlooker. Grand and imposing buildings are always built brick by brick. The success of an undertaking does not come about through talking, even less through waiting, but depends on real work. While communism has lofty ideals, if these ideals are to be realized each item of work must be carried out in a concrete fashion. For this reason, a Communist Party member must combine these lofty ideals with a determination to do a good job of one's own work. Our country is now going through a historical period of great change and development, moving from chaos into order and from poverty into wealth. The whole party and the whole nation is involved in the struggle to create a powerful socialist nation with a high degree of material and spiritual civilization. Communism must inevitably pass through this stage; it is an

indispensable aspect of the communist cause. Only when this historical task has been completed will it be possible to provide the material base and spiritual conditions necessary for the realization of true communism. Every party member should devote himself to the party's cause and should have concern and deep love for this cause. Dedicated heart and soul to the same cause they must struggle in an earnest and down-to-earth way. And by working selflessly at their posts and by scoring outstanding results they will be able to make a personal contribution to the four modernizations.

## II

The personal interests of a Communist Party member must be sacrificed unconditionally to the interests of the party as a whole. It might at times be necessary to sacrifice personal interests in order to protect the interests of the party. This basic demand that personal interests be sacrificed for the party's cause is a principle that should govern the thinking and deeds of every Communist Party member. It is a condition that every Communist Party member must satisfy.

Our party is a political party that works wholeheartedly for the interests of the people. Aside from the interests of the working class and the people as a whole, the party has no special interests of its own. A party member who pursues his own special interests at the expense of the interests of the party and the people is not a true Communist Party member. A true Communist Party member must correct the relationship existing between his own personal interest and the party's interest and must, irrespective of time or place, put the interests of the party before his own individual interests. Our party has always acknowledged the individual interests of party members and has done as much as possible to accommodate these interests and to help resolve practical difficulties. However, at no time is it permissible to place these individual interests before those of the party or to sacrifice the interests of the party for those of the individual. Whenever a contradiction emerges between the party's interests and those of the individual, one must be willing to protect the party's interests without the least hesitation and voluntarily sacrifice one's own individual interests, and even one's life. This provides us with an important criterion for measuring whether or not a Communist Party member has the true party spirit.

If a party member's personal interests are to be unconditionally subordinated to the interests of a party, it is essential for each party member to have a lofty and selfless moral character and strive resolutely to overcome every form of individualism. Individualist ideology is rampant among certain comrades and has in some cases given rise to the corruption of extreme individualism. These people see the party's interests and lofty ideas as being empty and without relevance to their own lives. "Material benefits" are the only things they recognize. They fight for position and special treatment, demanding both official posts and authority; if they are unable to reach their goal they lose faith in the party and begin sulking and complaining. They pursue a life of luxury and ease; caring

nothing for either the policy or principles of the party, they use every means possible to win favors for their families and sons and daughters. Their minds are obsessed with thoughts of advantage and material profit; they refuse to exert themselves if there is no profit to be had. They continually watch out for money, pull strings, go through the back door and engage in other crooked practices. Some people have no qualms whatsoever about various illegal practices such as using official privilege for private gain, speculation and profiteering, corruption, smuggling, bribery and even embezzling state property. Their deeds have already sullied the glorious reputation of Communist Party members, and there are some people who are becoming or have already become nothing more than common criminals.

Whether one performs one's duties honestly or decides instead to seek personal gain is the fundamental difference between the proletarian and capitalist world views. Personal gain is the very nature of capitalism and has nothing in common with proletarian ideology. Communist Party members are vanguard fighters who oppose the capitalist class and any other exploiting class. After overthrowing the exploiting class, how could these vanguard fighters possibly adopt the capitalist class' emphasis on profit as an article of faith? Individualism forces people to forget collectivism and Marxism and gives rise to the lust for personal gain. The history of our party is not without examples of the disgrace and ruin brought about by individualism, and we should take careful note of these painful lessons.

The problem now facing us is that if individualism is to be overcome, party members and cadres must be able to handle and employ their authority of office in a correct way and must under no circumstances use this authority to serve personal ends. Many members of our party hold important leadership positions or exercise a certain amount of authority at their work posts. It must be understood that this power has been conferred upon them by the party and the people in accordance with the needs of work and that in exercising this power they represent the party and government. No matter how great one's power might be, one always has a duty to serve the people and under no circumstances does one have the right to use one's authority of office for personal ends or to commit other illegal acts. Seeing the authority conferred by the people as a privilege and abusing this privilege for private gain violates the aim of the party, betrays the trust of the people and damages the prestige of the party among the masses. A Communist Party member must be faithful in the discharge of his duties no matter what the job. He must be rigorous in carrying out the responsibilities of his office. Using the power conferred upon him by the people to serve the people, he should become a diligent and conscientious public servant who lives up to the trust and expectations of the party and people through his own exemplary behavior.

### III

If we are to sacrifice ourselves for the party's cause, we need to constantly cleanse ourselves of the dirt on our bodies, dare to carry out struggles against all erroneous ideologies and unhealthy tendencies, adhere to truth, rectify mistakes, distinguish between right and wrong, be open and aboveboard, and struggle to maintain the purity of the ranks.



Our country is in an historical period where we are carrying forward the revolutionary cause and forging ahead into the future. Profound social changes are taking place. Under such circumstances, all kinds of ideologies and tendencies will emerge. Capitalist and feudal ideological influences constantly come to the fore. The venom of Lin Biao and the "gang of four" has not yet been thoroughly eradicated. This, together with the fact that we are expanding contacts with foreign countries, enables the bourgeois ideology and lifestyle to corrupt some of our comrades. At present, the struggle between corruption and anticorruption is a struggle to uphold the purity of the party and sternly tests party members. Consequently, party members should, as required by Comrade Liu Shaoqi, strengthen self-cultivation on all sides, self-consciously resist the corruption of bourgeois and all nonproletarian ideological styles, and struggle against all phenomena that endanger the interests of the people.

Bourgeois ideology and various unhealthy influences are always present. However, they do not necessarily affect everybody. It all depends on whether that person's resistance is strong. The existence and size of this resistance, though there are many factors involved, depend primarily on whether you can be like a person who washes his face and sweeps the floor every day, that is, can constantly cleanse your body of political dirt. By self-consciously examining and overcoming your own shortcomings and errors, you will be adopting a sure way of improving yourself and doing your work well, and this will be a significant sign of being responsible to yourself and the people. Some comrades are reluctant to face up to their own shortcomings and errors. They always like to regard themselves as "consistently correct," have blind faith in themselves, claim credit for themselves and are arrogant, try to save face at the expense of truth, like to be flattered and dislike criticism. This attitude makes them dirty all over and causes them to degenerate further and further along the path of error. Owing to differences in background, experience, ideology, moral character and level of consciousness, everyone is bound to have one weakness or another, and this is bound to give rise to one or another shortcoming or error. No one is perfect in this world. Therefore, every comrade must know his own limitations and look at himself from the point of view that in everything one divides into two. He must constantly carry out self-criticism and self-transformation, cast off all burdens, travel light, raise his consciousness, increase his party spirit and be happy to perform the various items of work assigned by the party.

A good Communist Party member must not only dare to struggle against his own shortcomings and errors, but also dare to struggle against the various erroneous ideologies and unhealthy tendencies. At present, there are some party members who are pursuing a vulgar philosophy of life. They say that "making one more friend means having one more opportunity, while offending one more person means having one more obstacle" and "we should plant more flowers and less thorns, because work is easier if you spare other people's feelings." In the face of right and wrong, they fail to take a clear-cut stand, are not determined enough in their attitude, and fail to take charge of what they should take charge. They fail to criticize what they should criticize and fail to restrain and struggle against erroneous ideological

tendencies, allowing them unbridled freedom and even join with them and get soiled. This attitude of "you're all right and I'm all right, so let's not interfere in each other's business" does not befit a member of the Communist Party. When considering and dealing with problems, Communist Party members should proceed from the interests of the party and not from personal loss and gain. In the face of principles and of right and wrong, they must take a clear-cut stand and be resolute and not vague. As for erroneous ideologies and unhealthy tendencies which are detrimental to the party and the people, Communist Party members should step forward bravely, stick to their principles and carry on the struggle. No matter whom they are dealing with, they must take charge of what they must take charge, criticize what needs to be criticized and restrain what must be restrained. They must on no account adopt an attitude that is liberal and which abets evil by tolerating it, or allow erroneous things to develop and spread. As long as it is for the sake of upholding the interests of the party and people, they should struggle against evil phenomena, even if this means offending some people or suffering themselves some temporary loss. It is worth doing so; ultimately, they will get the support and protection of the party and the people. If, when they know something to be wrong, they think it best not to comment and sacrifice the interests of the party in order to win over someone's "feelings," that will be a sign that they have abandoned their principles and soiled the party spirit, something which is incompatible with the glorious title of Communist Party member. All of our party's comrades must carry forward the revolutionary spirit of being selfless and fearless and carry out an unrelenting struggle to correct the party's work style, promote the people's work style and maintain the party's prestige. They must play an exemplary role in restoring and carrying forward the fine tradition and work style of the party and in building a socialist spiritual civilization. They must be Communist Party members in the real sense of the word.

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IT IS IMPERATIVE TO RECTIFY STUDY STYLE WHILE RECTIFYING PARTY STYLE--READING  
VOLUME ONE OF 'SELECTED WORKS OF LIU SHAOQI'

Beijing RED FLAG in Chinese No 6, 16 Mar 82 pp 10-13, 20

[Article by Ma Wenrui]

[Text] Comrade Liu Shaoqi was a great Marxist-Leninist who made outstanding contributions to the shaping and development of Mao Zedong Thought. The publication of volume one of "Selected Works of Liu Shaoqi" has added valuable spiritual wealth to our party and people. Moreover, this work is permeated with a very important idea, that is, the good study style of integrating theory with practice. When studying the "Selected Works of Liu Shaoqi," we should properly study this Marxist study style, conscientiously rectify party style, and effectively strengthen and improve party leadership on various fronts.

I

The question of study style is closely related to the question of party style. Only if we have the Marxist study style of integrating theory with practice can we gradually foster the Marxist style of thinking and style of work. If we go against this principle, we will inevitably become separated from reality and from the masses, and even hurt the interests of the people and go against the Marxist style of thinking and style of work. As Comrade Mao Zedong said: "Study style is a question of the ideological method of comrades in our leading bodies, of all cadres and of party members, a question of our attitude toward Marxism-Leninism and of the attitude of all party comrades in their work." ("Selected Works of Mao Zedong," Vol 3, p 771)

Comrade Liu Shaoqi was a paragon in upholding the Marxist study style and he made many brilliant expositions on the question of study style. He said: "We must modestly study the Marxist-Leninist stand, viewpoint and method, study the noble proletarian quality of the founders of Marxism-Leninism, and apply all this in our practice, in our words and deeds, our daily life and work, constantly correcting or eliminating anything in our ideology contrary to it, and strengthening our own proletarian communist ideology and character. This means that we should listen modestly to the opinions and criticisms of our party comrades and of the masses, make a

Careful study of the practical problems in our life and work, carefully sum up and draw lessons from our experience in work. In light of all this, we should ascertain whether our understanding of Marxism-Leninism and our use of the Marxist-Leninist method are correct, and check up on our shortcomings and mistakes so as to overcome them and improve our work. Furthermore, on the basis of new experiences we should ascertain whether there are any individual conclusions or aspects of Marxism-Leninism that need supplementing, enriching and developing. In short, we must integrate the universal truth of Marxism-Leninism with the concrete practice of revolution."

("Selected Works of Liu Shaoqi," Vol 1, p 110; hereafter only the page number will be given) Here, Comrade Liu Shaoqi put forward three basic demands for upholding the Marxist study style: 1) use Marxism to purge all things contrary to this in our ideology; 2) use Marxism to examine the shortcomings and mistakes in our work and correct them; and 3) develop Marxist principles in the light of the new experience. If all our party members, especially the party's leading cadres, can examine their own thinking and work on the basis of these three demands, conscientiously and not perfunctorily carry out criticism and self-criticism, and overcome unhealthy tendencies together, our party style will certainly take a quicker turn for the better and we will certainly create a new situation in various items of work.

At present, some of our comrades are, to varying degrees, affected by the problem of impure work style, and this work style is closely related to their incorrect study style. This is mainly manifested in the following three aspects.

First, they are politically unable to completely fall into line with the CCP Central Committee. Some of them suspect and resist the line, policies and principles of the party since the 3d Plenary Session of the 11th CCP Central Committee, or verbally support them but act otherwise. Some of them go against the four basic principles, disregard party discipline and practice bourgeois liberalization. Practice has already fully proved that the four basic principles and the line, policies and principles of the party since the 3d Plenary Session of the 11th CCP Central Committee are completely correct. Why is it that some of our comrades still do not understand them at present and even go against them? They have one trait in common, that is, they are unable to use the correct attitude of integrating theory with practice in dealing with Marxism-Leninism-Mao Zedong Thought. As Comrade Liu Shaoqi pointed out: These people "have a lot of old junk accumulated in their heads and many stubborn habits, prejudices and selfish desires, and lack the determination to remold themselves." (p 114) "These people are absolutely incapable of guiding their lives by the principles of Marxism-Leninism, and hence incapable of dealing with practical problems promptly, correctly and realistically according to these principles; sometimes they even adopt a negative attitude when practical problems have already been correctly solved according to these principles by the party organization, or by comrades other than themselves." (p 115) Today, are not some of the comrades with "leftist" and rightist erroneous tendencies clinging to their "stubborn habits, prejudices and selfish desires" and "adopting a negative attitude" toward the correct leadership of the CCP Central Committee? This attitude is dangerous and intolerable and must be quickly corrected.

Second, they have a bureaucratic style. At present, some of our cadres are suffering from the bureaucratic style of languidness, indulging in rhetoric and divorcing themselves from the masses and from reality. This style is completely incompatible with seeking truth from facts and the mass line consistently maintained by our party. Comrade Liu Shaoqi in his work "The Leadership Style That Eliminates Empty Talk" sharply criticized some comrades for their bad style of "using a bureaucratic and rhetorical attitude in dealing with party resolutions." (p 45) Those comrades with bureaucratic style will also rhetorically talk about supporting the line, policies and principles of the party, serving the people wholeheartedly and making contributions to the four modernizations. The problem is that what they say is one thing and what they actually do is another. We must get rid of the bureaucratic style and arouse our revolutionary spirit. We must truly adopt necessary organizational measures, but, what is more important, we must call on every party member and cadre to restore and carry forward the Marxist study style of integrating theory with practice.

Third, they use their power for private ends. This is another significant sign of impurity in the work style of some comrades, and it is also a problem the masses are deeply dissatisfied with and worried about. Comrade Liu Shaoqi repeatedly said that the proletarian nature of our party determines the sole objective of our party, which is to serve the people wholeheartedly. Our party members and cadres must never use their position and power to seek private gain. He pointed out: "Our revolution is not for getting a wife, getting food or getting into the limelight, but for the sake of emancipating the masses. Everything is for the masses; otherwise, the revolution will be meaningless." (p 234) "One must never regard the Communist Party as a narrow clique, like a guild pursuing the interests of its members. Anyone who does so is not a communist." (p 134) He called upon "every party member to use proletarian ideology to combat whatever nonproletarian ideas he has, use the communist world outlook to combat whatever noncommunist world outlook he has, and use the principle of the supremacy of the interests of the proletariat, the people and the party to combat his inadequacy." (p 121) Quite obviously, whether one serves the people wholeheartedly or takes advantage of one's position and power to seek private gain is a question of world outlook as well as a question of Marxist study style.

## II

To rectify the style of study, it is imperative to oppose dogmatism and empiricism. Dogmatists reduce revolutionary theory to a rigid dogma. They do not understand that theory comes from practice and must be integrated with practice, and also must be examined and developed in practice. Comrade Liu Shaoqi called these comrades "lame Marxists." Empiricists regard their own narrow experience as universal truth. They do not understand that revolutionary practice cannot be separated from the guidance of revolutionary theory. Therefore, they are unable to stand high or see far, and might even lose their bearings. Comrade Liu Shaoqi called these comrades "crawling Marxists." Dogmatism and empiricism are both characterized by a division between the subjective and the objective and by the separation of theory from practice. They are both subjectivism, and they both run counter to the

Marxist style of practice. Dogmatism and empiricism often depend on, and take advantage of, each other. Just as Comrade Liu Shaoqi pointed out: Dogmatism "can browbeat and mislead many worker and peasant comrades and immature young comrades; even very mature comrades who are very experienced in work but immature in their ability to discriminate in theory, are frequently tricked and captivated by them. Therefore, they can put the party cause in serious jeopardy." (p 299) This analysis made by Comrade Liu Shaoqi in opposing dogmatism and empiricism is identical to the exposition made by Comrade Mao Zedong.

Our party suffered incalculable damages and paid a heavy price as a result of dogmatism and empiricism. Comrade Liu Shaoqi's correct thesis on opposing dogmatism and empiricism was precisely summed up from the historical experiences of our party. This judgment has again been borne out in practice since the smashing of the "gang of four." The comrades who put forward the erroneous policy of "two whatevers" held that the things said by Comrade Mao Zedong were unchangeable. Apart from other factors, judging from their method of thinking, this is also a dogmatic tendency. If some people on the top put forward this erroneous policy, those comrades below whose theoretical foundation was not strong and who simply worked in accordance with the instructions and narrow experiences of those at the higher level naturally blindly followed. This resulted in the situation of 2 years of uncertainty in work. By discussing the question of the criterion of truth and particularly by the work of bringing order out of chaos carried out since the 3d Plenary Session of the 11th CCP Central Committee, the erroneous policy of "two whatevers" has been basically rectified. However, these two erroneous tendencies of dogmatism and empiricism still exist. For example, on the ideological and theoretical front, some comrades have not devoted their main energy to studying the new situation and new problems in the building of socialist material civilization and spiritual civilization, and have not paid attention to theoretically expounding the four basic principles and the line, policies and principles of the party, or to solving the problems in actual work and in the life of the masses. Rather, under the banner of emancipating the mind and breaking through forbidden areas, they have hankered after the ancient bourgeois skeleton and fashionable things of the West and placed blind faith in the foreign dogmas of capitalist countries, as though all academic and cultural things of the Western countries were good. In actual work, some comrades have looked down on theory and showed no interest in Marxism-Leninism-Mao Zedong Thought. They have paid even less attention to conducting a Marxist analytical study of problems in actual work. Consequently, they are unable to break out of the framework of narrow experience, blaze new trails or create new situations. In the examination, promotion and employment of cadres, they have not considered the consciousness and level of Marxism to be an important condition, and have even erroneously regarded some cadres who have theoretical training as "bookworms," as though cadres with a theoretical level will inevitably be dogmatic and incapable of doing actual work.

After the Yanan rectification campaign, Comrade Liu Shaoqi pointed out at the seventh party congress: "Having overcome thought-stifling dogmatism in the party, we must make further efforts to remove the obstacle of empiricism

and start a campaign in the party to study Mao Zedong's theory of the Chinese revolution. We may then anticipate a great upsurge of Marxist culture in the party." (p 337) This analysis by Comrade Liu Shaoqi is also applicable to today's situation. In recent years, in opposing the "two whatevers" and in developing the discussion of the criterion of truth, the tendency toward dogmatism has been criticized, but the tendency toward empiricism has still not been properly criticized. At present, some cadres do not understand the policies and principles adopted since the 3d Plenary Session of the 11th CCP Central Committee, and some intellectuals, particularly young people, are suspicious of the four basic principles. All this, of course, has something to do with being divorced from reality, but an even more important reason is the lack of education and training in Marxism-Leninism-Mao Zedong Thought. Therefore, in continuing to oppose dogmatism, we should at the same time pay special attention to the empiricism which looks down on theory. Starting with the leadership organs and cadres, we should urge the broad masses of party members and cadres to conscientiously study Marxism-Leninism-Mao Zedong Thought.

To rectify the style of study, it is also imperative for there to be no discrepancy between words and deeds. What Liu Shaoqi meant by no discrepancy between words and deeds was: "Their speech is Marxist and their actions are also Marxist." (p 296) This requires our party members and cadres to always adhere to the Marxist world outlook of dialectical materialism and historical materialism, conform to the norms of communist ideals, conviction and morality, and use them to guide our words, deeds, work and lives. Only in this way can we play the role of vanguards of the proletariat in socialist modernization. Otherwise, we will become divorced from the party and people and make this or that kind of mistake. The people are most realistic, and they often appraise our party by the actual actions of the party members and cadres. Therefore, whether there is an accord between words and deeds among the party members and cadres has a powerful influence on the masses. Some of our comrades talk Marxism and also preach Marxism to others, but their actions are not Marxist. What they preach to others is Marxism, but what they practice is individualism and liberalism. This has damaged our party's image among the people.

The Marxist style of study requires us to seek truth from facts, to be loyal and honest, to speak the truth and to be pragmatic in work and opposes the unhealthy style of indulging in empty talk and using high-flown words. Engels said: "All revolutionary high-flown words and clamoring will inevitably lead to defeat." ("Collected Works of Marx and Engels," Vol 36, p 540) Comrade Liu Shaoqi said: "Certainly we must study theory, but we also practice what we learn. The study is for the sake of practice." (p 111) In accordance with this teaching, we must study Marxism, practice Marxism, make words accord with deeds and think and act in a unified way to set a good example for the masses, and lead all the people in progressively and solidly fostering a fine social atmosphere.

### III

For the sake of rectifying study style, it is also imperative to adopt effective measures in the direction of organizational leadership.

First, we must organize the party members and cadres to conscientiously read books. Comrade Liu Shaoqi said: "Party members must bury themselves in books and studies. This is not an expression of the 'academic school,' but what every party member engaged in the study of Marxism-Leninism must do. Anyone who is more accomplished in Marxism-Leninism must go through this stage of burying himself in books and studies. This was particularly the case with Marx and Lenin." (p 219) Comrade Liu Shaoqi on many occasions mentioned that for most party members, inadequate theoretical training was a great shortcoming of our party, and this led to mistakes in guiding ideology on several occasions in the democratic revolution. In the 30 years and more since the founding of the People's Republic, we have also encountered setbacks and the 10 years of internal disorder. These have likewise been caused by mistakes in guiding ideology as a result of mistakes in theory. At present the CCP Central Committee has already correctly summed up the historical experiences and accomplished the historical task of bringing order out of chaos in the guiding ideology of the party. However, to enable our whole party to properly digest and assimilate these experiences and accomplish the historical task of bringing order out of chaos in the thinking and work style of the whole party, we must also advocate the conscientious reading of books and the comprehensive and accurate mastering of the basic principles of Marxism-Leninism-Mao Zedong Thought. In the first half of this year, our party members and cadres of Shaanxi must continue to master politics and economics in accordance with the arrangements of the Central Committee. Beginning from the second part of the year, they must conscientiously study Marxist philosophy, further enhance their consciousness and level of Marxism in world outlook, and unify their understanding and action.

Second, we must correctly develop criticism and self-criticism. At present, there are many problems in party style and study style. How can we solve them? We must conscientiously take up this weapon of criticism and self-criticism. Comrade Liu Shaoqi laid special emphasis on self-criticism by the leadership cadres. He pointed out: "Experience proves that wherever a comrade in a responsible position seriously practices sincere and necessary self-criticism before the party membership and the masses, criticism and self-criticism by the people and the party membership, they will also develop, their enthusiasm will be heightened, their internal solidarity will develop, their work will improve and their defects will be overcome. At the same time, the prestige of the responsible comrades will increase instead of being undermined." (p 364) Therefore, whether criticism and self-criticism can be properly developed has a great deal to do with whether the party members and leadership cadres have the spirit of conscientiously carrying out self-criticism. Leadership cadres of our party at various levels must set the pace in carrying out self-criticism in daily political life for the purpose of rectifying their study style and party style.



Third, we must carry out thoroughgoing investigation and study under the guidance of Marxism-Leninism-Mao Zedong Thought. Comrade Liu Shaoqi said: "To authentically reflect conditions and independently make decisions, we must go everywhere to look and make inquiries, and we must read the works of Marx and Lenin and do a great deal of research." (p 405) In the last 2 years, there has been a great interest in investigation and study with the impetus given by the leading comrades of the Central Committee. However, judging from conditions in Shaanxi, there is still not enough investigation and study with the leadership comrades personally taking a hand in the work, especially in the direction of economic work. Even if certain investigations have been carried out, they are mostly sporadic and perfunctory and seldom thorough and meticulous. More attention has been paid to investigation and less attention has been paid to study. There are many problems which have been posed by understanding conditions but there have been few schemes based on serious analysis, proposed for solving problems. Comrade Chen Yun has called on our leadership organs and leadership comrades at various levels to devote more than 90 percent of their time to investigation and study and less than 10 percent of their time to policymaking. Our local party committees should devote more than 90 percent of their time and energy to inspecting and directing the implementation of party policies and principles and less than 10 percent of their time and energy to making arrangements for work. Only in this way can we improve our level of Marxist leadership and can we propose and implement plans, schemes and measures consistent with objective reality and effectively fulfill various tasks of the party.

Fourth, we must use the criterion of integrating theory with practice to examine theoretical study by party members and cadres and set up the necessary system of rewards and penalties. The principal content of the examination is to judge whether the cadres can use Marxism-Leninism-Mao Zedong Thought in directing their own words, deeds, work and lives. As Comrade Mao Zedong and Comrade Liu Shaoqi repeatedly stressed, we must regard the ability to understand and implement Marxism as an important condition in the selection and employment of cadres. Comrades who do not study or who have not done well in studying Marxism-Leninism-Mao Zedong Thought, and whose words and deeds are at complete variance, should be criticized and should not be allowed to hold important posts. Those who are diligent in their study and can correctly adjust their deeds to their words should be commended, rewarded and promoted.

At this historical turning point, fresh study is of especially great significance. Comrade Liu Shaoqi said: "How can we rectify our past mistakes? All comrades should study. They should study past experiences, study the theories of Marxism-Leninism and study the methods of Marxism-Leninism. Only in this way can we go forward." (p 71) I am of the opinion that as long as we do as Comrade Liu Shaoqi said, we will certainly be able to restore and carry forward our fine party style and study style and keep on scoring fresh triumphs in our socialist modernization.

HOW DOES THE CAPITAL IRON AND STEEL COMPANY CARRY OUT ITS ECONOMIC RESPONSIBILITY SYSTEM?

Beijing RED FLAG in Chinese No 6, 16 Mar 82 pp 14-20

[Report by the joint investigation team of the System Restructuring Office and the Economic Research Center under the State Council]

[Text] Editor's note: The Capital Iron and Steel Company has achieved remarkable results in carrying out its economic responsibility system and has thus provided us with valuable experience in perfecting the economic responsibility system in our industrial enterprises and promoting the overall reorganization of our enterprises. In the Capital Iron and Steel Company, the economic responsibility system has been carried out in combination with fulfilling in an overall manner the state plan, and thus the relationship between the interests of the state and the enterprise has been correctly handled. By combining the implementation of the economic responsibility system with the improvement of administration and management, the company has correctly handled the relationships between all its sectors. Moreover, by combining the implementation of the economic responsibility system with the carrying out of the principle of distribution according to labor, the company has correctly handled the relationships among its staff members and workers. All localities should pay attention to learning from the experience of the Capital Iron and Steel Company in carrying out the economic responsibility system.

The Capital Iron and Steel Company is a large-scale iron and steel integrated complex. It is one of the key enterprises where the expansion of enterprise decisionmaking power was first carried out on a trial basis. Over the past few years, the various basic tasks in the enterprise have been strengthened, the system of personal responsibility has been restored and perfected, and production management has been improved. This was especially true during the latter half of 1981, when the company established the economic responsibility system that combined responsibility, power and interests and brought about another great change in the enterprise. As a result, the

broad masses have become more concerned for their enterprise, their sense of responsibility as masters of their enterprise in making greater contributions to the state has been intensified, and their spirit in cooperating in a united manner and in striving to scale new heights has further developed. Improving the administration and management has become the conscious demand of the staff and workers. They have done a better job in carrying out and improving the original managerial system and have succeeded in shifting the focus of the production and management activities of the enterprise onto improving economic results, resulting in a remarkable rise in the economic results of their enterprise. For example, during the first half of 1981, their monthly profit averaged 23 million yuan, and from August to December of that year the profit of each of the 5 months exceeded 30 million yuan. Thus they set a new record of the amount of yearly profit that they handed over to the state. Among the 52 comparable technical economic indexes, 30 have been raised to the advanced domestic level and 6 to the international level.

In carrying out the economic responsibility system, the Capital Iron and Steel Company has followed a correct orientation and a correct path and has thus achieved good results. It has provided very useful experience in establishing and perfecting the economic responsibility system and we should attach importance to its experience.

#### I. Giving Priority To Fulfilling in an Overall Manner the State Plan

In the course of implementing the economic responsibility system, it is an important matter of principle for an enterprise to ensure the overall fulfillment of the state plan. In 1981, owing to the needs of readjusting the national economy, the Capital Iron and Steel Company was required by the state plan to reduce its output of iron and steel by 360,000 tons less than that of 1980. This meant a cut of 4.7 percent in steel output and a cut of 7.6 percent in iron output. Nevertheless, the state plan also demanded an increase in the profit to be handed over to the state by 270 million yuan, which was 22 million yuan more than that in 1980. Faced with these contradictory requirements, what should the company do? Should it insist on changing the state plan by stressing the difficulties, or should it consciously shoulder the responsibility and conscientiously find ways to fulfill the plan? After repeated discussions, the CCP committee of the company was of the opinion that fulfilling the production plan and financial tasks of the state is an unshirkable duty for a socialist enterprise, and that people had to fully estimate the latent potential in the enterprise as well as the difficulties in fulfilling the tasks. It mobilized the masses to make budgetary calculations in 18 respects, organized them to analyze the favorable conditions for the production of the enterprise and to do research on ways to increase income and cut expenditure. By so doing, it made them see the possibility of fulfilling the plan and imbued them with confidence in overcoming the difficulties and in completely fulfilling the state plan.

How did the Capital Iron and Steel Company completely fulfill the state plan?

In arranging their production, they have not blindly pursued profit but strictly produced each kind of product in accordance with the state plan whether it was in excess or short supply and whether it was profitable or unprofitable. Regarding products in excess supply, the company has resolutely carried out the plan for reducing their output. In 1980, it reduced its iron output from 2.94 to 2.65 million tons and cut its steel output by 70,000 tons. As for products in short supply, such as pig iron for civilian use, which had only a small profit margin but for which there was an urgent demand in society and for which the state required the company to double the output, the company resolutely fulfilled the plan for increasing its output. It did this despite the fact that pig iron for civilian use was 70 yuan lower per ton in price than iron for use in steel production, and that the fulfillment of the planned target for its production would result in a 2 million yuan reduction in profit.

Where the implementation of the state plan for reducing output might cause a corresponding reduction in profit, in order to ensure the fulfillment of the financial task of handing over profits, the Capital Iron and Steel Company did not copy the malpractices of some backward enterprises that adopted means other than improving administration and management and tapping the potential of the enterprise. Instead it persisted in obtaining income by appropriate means and through proper channels and in conscientiously finding ways to make up for the possible deficit in fulfilling the state plan. First, it tried by every means to conserve energy, reduce the consumption of raw materials, save on various expenditures and vigorously lower production costs. In producing a ton of iron, it used only 514 kilograms of coke, which was 56 kilograms less than the 570 kilograms of coke consumption stipulated by the state. In producing 1 ton of steel, it used only 1,870 kilograms of standard comprehensive fuel, which was 230 kilograms less than the 2,100-kilogram consumption level stipulated by the state. During the latter half of that year, it reduced costs by 5.48 percent after a 3.08 percent rise in the first half of that year over that of the same period the year before, and thus achieved a 2.4 percent net reduction for the year, resulting in a 13 million yuan rise in profit. Second, it conscientiously investigated the market, readjusted its product variety in accordance with market demand, changed the orientation of its services and produced marketable products. At the same time, it vigorously marketed products that had been produced according to the plan but could not be allocated to customers in accordance with the plan. It reprocessed the 192,000 tons of iron it had produced without a contracted buyer and turned the iron into marketable steel billets and steel products. Last year, it sent its staff to 25 provinces and cities to conduct investigations on the steel products needed in manufacturing bicycles and found that there was an urgent demand for strip and slab steel. It supplies the steel for 12 million pairs of wheels to 15 manufacturers of bicycle spare parts. It also signed contracts with 30 manufacturers of bicycles and of bicycle spare parts in 10 provinces and cities for supplying 12 varieties of steel and sold more than 11,000 tons of steel to them. It expanded the sizes of iron pipes it manufactures from 3 to 7, and supplied 17,000 tons of iron pipes to 68 water and gas companies during the latter half of that year. These iron pipes constituted 40 percent of the nation's total output of iron pipes in that period. Throughout

last year, the company marketed 14.8 percent of its products. This caused a 20 million yuan rise in profit. Third, it utilized its surplus manpower and technical superiority to open up new prospects for its production. For example, it produced steel structures for housing construction in rural areas and contracted for performing the tasks of processing and overhauling. This caused a 4 million yuan increase in profit. By adopting the above means of saving on expenditures and increasing income, it raised its profits by more than 40 million yuan. As a result, its profits totaled 314 million yuan last year, which was 29 million yuan or 8.2 percent more than in the previous year.

In balancing the interests of the state and the enterprise, the Capital Iron and Steel Company always gave priority to the interests of the state and adhered to the principle of ensuring that the state would get the larger share of the extra profit. In 1981, the profit handed over to the state increased by 8.9 percent over that of the previous year, the profit transferred to the company's reserve funds increased by 7.9 percent, and the profit allocated to the bonus funds for its staff and workers increased by 2.4 percent. The increase in the state's share of the profits exceeded that of the enterprise and that allocated for bonuses. What the state obtained from its increase in profits in 1981 over 1980 was much more than what the company obtained.

The practice in the Capital Iron and Steel Company has proved that so long as we correctly treat the relationships between the interests of the state, the enterprise, and the staff and workers as individuals, and so long as we give full play to the initiative of the enterprises, we will be able to combine the implementation of the economic responsibility system with the intensification of planned management. At the same time, the company has also proved that, under the premise of ensuring the fulfillment of the state plan, the implementation of regulation by market mechanism within a certain scope and the increase of the output of the products needed in the market even by such a large-scale enterprise as the Capital Iron and Steel Company not only will not cause confusion in fulfilling the state plan, but will provide the necessary supplement to the state plan.

## II. Implementing the Economic Responsibility System Level by Level Within the Enterprise

In order to ensure that the company discharges its economic responsibility to the state, it must implement the economic responsibility system level by level within the company to combine the interests of the staff and workers with their responsibility and thus make overall fulfillment the common aim of struggle for all staff and workers.

What characterized the Capital Iron and Steel Company's implementation of the economic responsibility system level by level?

1. Allocating the economic responsibility of the company level by level to all its departments and sectors: In the Capital Iron and Steel Company, it was stressed that the economic responsibility system could not really be

regarded as implemented unless the implementation involved specific persons. If a department failed to implement the economic responsibility system in the sectors at its lower levels, it would not be able to discharge its economic responsibility. The company first allocated its economic responsibility to the factories and mines under the company. It required them to do the following things: 1) fulfill the targets assigned to them concerning the number of personnel, profit and increase in profit; 2) ensure the fulfillment of the targets and tasks concerning quality, varieties, contracts, consumption, costs, employment of floating capital, safety in production, protection of the environment and trial-production of new products; and 3) ensure the implementation of coordination inside the company and the fulfillment of the work requirements. While stipulating the economic responsibility of its factories and mines, it adopted the method of transferring part of the profits of the factories and mines to their reserve funds so as to combine their responsibility and power with their interests. Furthermore, the factories and mines allocated their economic responsibility to their workshops, then to their groups and teams, and finally to every staff member and worker. Not only the departments that directly took part in production but all the functional offices have established the system of personal economic responsibility. The main content of this system is: 1) basic duties and work quotas based on professional division of labor; 2) specific tasks performed in conformity with the general tasks of the company; 3) requirements in cooperation and coordination; and 4) development of the basic professional capacity of the offices and the temporary tasks assigned by the leadership. Thus, every department and sector, whether it is a production unit or a functional office and whether it is on or behind the front-line, has been assigned its corresponding responsibility in accordance with the requirements resulting from the relationships and coordination between various production sectors. Every person, whether he is a worker or a cadre, has been assigned in the same way. The system of personal economic responsibility has been established in all the 31 major factories and mines, the 31 offices and the 242 workshops, and for 98 percent of its workers. As a result, the company has become an organic, integrated entity with close links.

2. Persisting in assigning advanced and rational targets to all its production and administrative units and to all its staff and workers: The economic and technical indexes in the Capital Iron and Steel Company are advanced domestically and some of the indexes are even advanced internationally. Under such circumstances, the company has relied on the masses to carry out careful investigation and make scientific forecasts, and thus has succeeded in persisting in assigning advanced and rational targets. Moreover, it has placed even more exacting requirements on its units and people. For example, in 1980 the proportion of coke for the blast furnaces in its ironworks was 443 kilograms. During the first half of 1981, it dropped to 420 kilograms, which was already an advanced index domestically. During the latter half of 1981, when the economic responsibility system was being established, the target was further reduced to 408 kilograms. At the same time, it was required that more than 99.5 percent of the iron produced should be up to standard, that the costs of iron should be reduced by 2.2 percent and that there should be no breaches of contract. All the ironworks succeeded in

meeting these requirements. Furthermore, the proportion of coke dropped to 398 kilograms in the fourth quarter of 1981, and 99.9 percent of the iron produced was up to standard. The establishment of advanced and rational targets encouraged the people at all posts and in all sectors to do their best to choose and employ the best technology, the best operations and the most efficient management possible in order to achieve the aim of increasing economic results. By so doing, they promoted the widespread development of the movement of rationalization proposals and technical renovation and boosted the technical reform of the enterprise. For example, the heavy oil consumption index for the heating furnaces in medium-sized and small steel rolling mills was 22.6 kilograms during the first half of 1981, but the target assigned by the company for the latter half of 1981 was only 20 kilograms. Without technical renovation, it would be hard for them to attain this target. They applied their wisdom and were determined to find a way out by technical renovation. They substituted gas for heavy oil in heating the steel from below, and thus reduced the heavy oil consumption from 10 to 15 kilograms, resulting in a savings of 5,000 tons of heavy oil per annum.

3. Being strict and fair in assessing performance and meting out rewards and punishments: In order to ensure the attainment of the various advanced and rational economic technical targets, the company had to be strict in assessing the performance and be strict and fair in meting out rewards and punishments. Otherwise, the system of personal responsibility would remain only on paper and could not be really implemented. Strict assessment of performance and strict and fair rewards and punishments must be scientifically based. For this purpose, the Capital Iron and Steel Company has established and perfected in an all-round manner its basic work. Using a series of quotas, measurements, original data and statistics, the production results of each post have been calculated in a fairly exact manner. At all its factories and mines, a statistical system was set up to record the performance of every worker, which is publicized daily, analyzed weekly and summed up monthly. An assessment handbook has been introduced to record daily each cadre's performance at his post. The handbooks have to be signed and marked weekly by the leaders at a higher level, and rewards have to be meted out monthly in accordance with the marks.

After the establishment of the assessment system, there was still the problem of whether people were courageous enough to carry it out. The Capital Iron and Steel Company has adhered to the principle of everybody being given an equal standard in performance assessment. All delinquents should be strictly punished without exception, and the practice of avoiding hurting anybody's feelings should be eliminated. The company's clear and definite performance standard, strict assessment system, and strict and fair methods in meting out rewards and punishments has guaranteed the implementation of the economic responsibility system.

The experiences of the Capital Iron and Steel Company has proved that only by persisting in making the targets advanced and rational, in fully implementing the economic responsibility system level by level, and in being strict and fair in assessing performance and meting out rewards and punishments can we

mobilize the masses to combine the implementation of the economic responsibility system with the all-round improvement of administration and management. Thus we will be able to tap the internal potential of the enterprises and raise the economic effect.

### III. Overcoming Egalitarianism in Distributing Bonuses

In order to implement level by level the economic responsibility system inside an enterprise, we should link the degree of responsibility that a specific staff member or worker is charged with and the results of his labor with the economic results of the enterprise. We should also overcome egalitarianism in distributing bonuses and conscientiously implement the principle of distribution according to labor so as to give full play to the initiative of all the staff and workers.

In distributing bonuses, the Capital Iron and Steel Company has adhered to the following three principles:

1. Resolutely controlling the total amount of bonuses in accordance with state regulations: Over the past 3 years, the profits of the Capital Iron and Steel Company increased at an average annual rate of 22 percent. However, the company strictly carried out the relevant stipulations that were laid down by the higher level in deciding the total amount of bonuses. In 1981, the Beijing Municipal People's Government gave the company permission to pay a maximum total yearly bonus as much as the standard wage for 3 months (this was the highest bonus level that had ever been allowed in Beijing), under the condition that the company fulfill the tasks of reducing production and increasing income. In order to control the total amount of bonuses, the company adopted the method of paying a conservative amount of bonuses in advance every month so as to have leeway in paying the rest of the bonuses at the end of the year. Every month all the units in the company have to report to the company on the amount of bonuses they plan to pay, and the company then carefully examines them one by one. If the amount is planned in strict accordance with the regulations and within the limit of the maximum amount that the company has stipulated, the company will give permission for payment; if not, the company will not give permission. Every month the company transfers 5 percent of the allocated amount of bonuses to its bonus fund reserve, and all the factories and mines in the company also transfer a part of the allocated bonus funds to their reserve funds instead of completely paying them out. Last year the monthly bonus for each person throughout the company averaged 12.8 yuan, which meant that the average bonus for each person last year was equal to the standard wage for 2.9 months. The bonus that was paid to each person in its production factories and mines averaged 13.2 yuan per month, which meant that the average bonus for each person last year was the equivalent of the standard wage for 2.99 months. Over the past few years, the Capital Iron and Steel Company has transferred a total of 95.7 million yuan of its allocated bonus funds to its bonus fund reserve. Some of this money will be used to fund housing for its staff and workers, and the remainder will be kept in reserve and will be used to cover any possible deficits in future allocated bonus funds.



2. The bonuses of the staff and workers are linked with the economic results of their collectives and should be adjusted upward or downward accordingly. In the company there is a stipulation related to bonus payment that if the factory, mine or office fails to fulfill the task that the company has assigned to it, no one in it will get any bonus; and that if a workshop, group or team fails to perform the economic responsibility that the factory or the mine has assigned to it, no bonus funds will be allocated to it nor will any person in it be paid any bonuses. The monthly bonus that the same person gets in the same unit fluctuates in accordance with how the unit fulfills its monthly task. For example, in the company's ironworks sometimes the average monthly bonus for each person reached as high as 24 yuan, but sometimes it dropped to as low as 10.5 yuan. During June and July of last year, the ironworks failed to fulfill its tasks; therefore, no one there was paid any bonuses. This stipulation encourages everyone to be concerned about his group or team, every group or team to be concerned about the workshop that it belongs to, every workshop to be concerned about the factory or mine that it belongs to, and all the units to be concerned about the company. As a result, all the staff and workers in the company are concerned about the fulfillment of the targets that the company is striving for, and the units and people at all levels strive to increase economic results. The company is using the common economic interests as a tie to closely link all its production sectors, and thus ensure its internal coordination and its final achievement of the goal of increasing economic results. As the workers there said, "This method of bonus payment means a team competition as well as an individual competition."

3. Acknowledging differences and reasonably dividing bonuses into grades: In order to overcome egalitarianism, we should, in paying bonuses, take into account the differences in the nature of the posts, in work attitude, in technical skill, in working capacity and in achievements. First, bonus payments should vary from unit to unit. The constant and coefficient in the formula for calculating bonuses for the company's offices has been set by taking into account the difference in the importance of their economic responsibility. The formula for calculating bonuses for the company's factories and mines takes into consideration their importance in production, the levels of their economic and technical indexes, their managerial standards and their work conditions. Second, bonus payments should vary for individuals. The constant and coefficient in the formula for calculating the bonuses for individuals have also been set by taking into consideration the difference in the responsibility of the cadres, the difference in importance of the workers' posts, in their technical skill, in the intensity of their labor and in their work conditions. Thus the bonuses for every unit and every individual fluctuate in accordance with how tasks have been fulfilled. Considerable rewards and heavy punishments have especially been stipulated for key posts, weak sectors and key problems that must be solved. By so doing, the company has fairly satisfactorily overcome the egalitarianism in distribution among its units and among its individuals. According to statistics for a certain month, in its 20 factories and mines, 10.37 percent of the staff and workers received a bonus of 25 yuan or more; 68.14 percent received a bonus from 11 to 24 yuan; 13 percent, 10 yuan or below; and 8.49 percent received nothing.

The experience of the Capital Iron and Steel Company has proved that so long as we reasonably draw up the standard for assessing bonuses under the condition of controlling the total amounts of bonuses within a prescribed limit, so long as we publicize the formula, constants and coefficients by which we calculate the bonuses, and so long as we strengthen our ideological and political work, we will be able to put an end to the practice of "eating out of the same big pot," overcome egalitarianism, and integrate the implementation of the economic responsibility system with the principle of distribution according to labor by allowing reasonable disparities in bonuses. We will also be able to give play to the positive role of bonuses in encouraging the advanced and spurring on those who lag behind, and avoid and overcome the negative role of bonuses, thus fully mobilizing the initiative of the staff and workers.

#### IV. Boosting the Overall Reorganization of the Enterprise

Over the past few years the Capital Iron and Steel Company has done a great deal of work in reorganizing the company and has achieved great results. The implementation of the economic responsibility system put new demands on the various tasks of the company. People in the company have focused their efforts on increasing economic results while continuously paying attention to the work of reorganizing the company. As a result, they have raised the administration and management in the company to a new level. They have paid serious attention to the following things:

1. Reorganizing the various kinds of professional managerial work: For many years, the company's planning was invariably related only to production, technology and finance. As a result, in formulating plans the company paid attention only to production and neglected management, and it blindly pursued high output and neglected economic results. Along with the establishment and implementation of the economic responsibility system, the company first reorganized and reformed its management of planning and then included its production, technology, accounting, purchasing and marketing into comprehensive production and management planning. Thus the company began to organize all its activities related to production, technology, administration and management and formulated a planning system that is, in depth and scale, far more comprehensive, detailed, concrete, harmonious and thorough than before in order to actually carry out the state plan and to bring the company onto the path of increasing its economic results.

According to the above-mentioned requirements, the company not only arranges its production monthly or weekly, but at the same time also arranges for the fulfillment of tasks concerning marketing, costs and profit growth. The business of the control room in the company has been extended from solely controlling production to mastering the comprehensive changes in production, delivery of goods, marketing, profit and costs. It draws up a production and management plan every day and strictly examines its fulfillment. The purchasing work has changed from solely ensuring supplies to paying attention to management in making the best choice of purchases by comparing the prices of different suppliers. In the past the company's marketing was mainly concerned with carrying out procedures related to deliveries of the

goods it sold, but now the marketing department has begun to pay visits to customers, to serve the customers where they are, to make investigations, analyses and forecasts about the market and to supply information to the planning department. The accounting work has also changed: analyses and forecasts are made beforehand to promptly provide information for the decisionmaking of management instead of merely keeping historical accounts. Cost management has also been developed and has become the integration of professional management with mass management, and it is an all-round cost management with the participation of the masses. The standards of all professional managers have been raised to new heights.

In order to achieve the economic goals of the entire company, the relationships between all departments have also changed. For example, in order to garner 312 million yuan of profit in 1981, the company had to ensure that during the last 4 months more than 9,330 tons of its products were sent out every day: 220 railroad freight cars were used every day and 1 million yuan was earned every day. This demanded close coordination and cooperation of the work in all departments in the company, including planning, controlling, producing, accounting, purchasing and marketing. This also required putting an end to the old practice of each professional management department going its own way and shifting responsibility onto another. Thus a fairly vigorous command system of production and management has taken shape under the leadership of the company's manager.

2. Reorganizing the basic work of the enterprise: In implementing the economic responsibility system, they have strengthened their data management in addition to continuously perfecting and improving various regulations and systems. Data are the basis on which the enterprise analyzes, readjusts and controls its production. Technical and managerial activities are also the basis on which it carries out the strict examination and assessment of performance and on which it carries out distribution according to labor. Since establishment of the economic responsibility system, the company has decided to strengthen its data management. They have vigorously reorganized the work of taking measurements and the work of making source documents, and have also reorganized the quota management. Moreover, they have designed a series of shop record forms and other forms for assessing performance in implementing the economic responsibility system and have established a general office of statistical control. Throughout the company, they must manage 80,000 pieces of information and have gradually established a data management and feedback system. At the end of 1981, the proportion of raw materials and fuel that the company checked the weight of when it received them was raised to 99.3 percent from 57.7 percent, and meters were installed to measure 95.22 percent of the company's consumption of electricity, steam, oxygen, nitrogen, coke-oven gas, blast-furnace gas and compressed gas. This meant that they had made significant progress in developing scientific management.

3. Reorganizing its management of labor and fixing a standard number of personnel in every department in organizing production: In reorganizing its structure the company stressed that every worker or cadre had to work "with high efficiency and to the best of his ability" in order to make more

contributions to the motherland. Having quite a few redundant personnel, the company has persisted in fixing a standard number in every department in accordance with production needs. It has made a clear distinction between the staff and workers employed in the state-owned enterprises and the collective enterprises under it and has refrained from appointing any state-employed persons to collective posts or vice versa. It has refrained from appointing the children of its retired workers to their parents' posts, but has trained them, examined them and appointed them according to their abilities under the unified authority of the company. In order to find out where the company has employed excessive personnel, the company has organized a technical assessment group, which has drawn up the standard number of personnel for every part of the company by recording the job activities and measuring the time these activities take and by sampling. From 1978 to 1981, the company found that 8,700 of its personnel were redundant, which was 12 percent of the present number of the company's personnel. By trying every means to find employment for these redundant personnel, the company succeeded in appointing them to new posts that served the production and the livelihood of its staff and workers. This reorganization of the company's work force through fixing standard numbers of personnel and strengthening work discipline facilitated the implementation of the economic responsibility system.

4. Reorganizing and improving the leading groups: The reason why the Capital Iron and Steel Company can successfully implement the economic responsibility system level by level lies in the company CCP committee's conscientious reorganization and improvement of the leading groups at all levels. It has promptly promoted to leading posts at various levels the cadres who have been able to conscientiously carry out the party's principles and policies, who understand production and who know management well. At the same time, it has promptly helped and educated and even demoted the cadres who have fallen short of the demands of the new situation and of the new tasks. By so doing it has adhered to the principle that cadres can be demoted as well as promoted. At present, among the 419 leading cadres at the factory and bureau levels, 70 percent have received education above the junior middle school level and 46 percent have been granted professional titles. The average age of the 419 cadres is 50.1 years. The company's leading groups are fairly crack and strong groups.

The experience of the Capital Iron and Steel Company proves that the reorganization of an enterprise will create favorable conditions for implementation of the economic responsibility system, and that the implementation of the economic responsibility system will in turn promote the overall reorganization of the enterprise. So long as we integrate the implementation of the economic responsibility system with the overall reorganization of an enterprise and so long as we give priority to improving and perfecting the economic responsibility system in reorganizing our enterprises, we will be able to lead the staff and workers in our enterprises onto the path of improving administration and management and raising economic effect.

## V. Vigorously Strengthening Political and Ideological Work

The implementation of the economic responsibility system is an important reform in the administrative and managerial system in our industrial enterprises. Every step in improving the system involves the correct handling of the relationships between the interests of the state, of the enterprises, of the departments inside the enterprises, and of the staff and workers. Therefore, various ideological problems and various problems of understanding will inevitably crop up. In implementing the economic responsibility system and in paying attention to material incentives, we should never abandon the principle of giving priority to ideological work nor slacken our efforts in doing political and ideological work. At the beginning of the establishment of the economic responsibility system, the company clearly set forth the tasks of building the two civilizations by achieving good results both in increasing economic results and in inspiring the revolutionary spirit of its staff and workers.

In conducting political and ideological education the company has done the following things:

First, it has corrected people's understanding of the economic responsibility system. When the economic responsibility system had just been established, some cadres and masses did not understand the system. Therefore, some of them had doubts about it and resisted it, thinking that "establishing the economic responsibility system in an industrial enterprise means using the methods of small production in developing large-scale production and that this means a retrogression." Others were of the opinion that "this system is neither socialist nor capitalist and therefore will not work." There were also a few cadres who thought that the economic responsibility was nothing but shouldering the assigned responsibility for profits and bonuses. As a result, they endlessly haggled in fixing the assigned quota and the bonuses. In order to solve these ideological problems, the company conducted education in the aims and significance of the economic responsibility system. Through study and through listening to the explanation of the aims and significance of the system, all the staff and workers in the company began to understand that in carrying out socialist large-scale production, they had to establish a strict responsibility system to ensure the normal operation of production. This is precisely the demand of large-scale production. Through studying the resolution of the 6th Plenary Session of the 11th CCP Central Committee, which summed up both the positive and the negative experiences in the past 30-odd years, they have begun to understand that the past practice of "eating out of the same big pot" and engaging in egalitarianism did not comply with the principles of socialism and that only by implementing the economic responsibility system and the principle of distribution according to labor and by acting in accordance with objective laws, can we really achieve socialism. On the other hand, they have also begun to understand that the economic responsibility system does not merely mean shouldering the assigned responsibility for making profits, but it is an enterprise managerial system that combines responsibility, power and interests under the guidance of state planning. By conducting these educational activities, the company has succeeded in teaching its broad ranks of

staff and workers to have a relatively correct understanding of the aims and significance of the economic responsibility system.

Second, the company has conducted education on correctly handling the relationships between the interests of the three parties. In this respect, some staff members and workers had some muddled ideas. They thought that "it is better for the quota to be fixed as low as possible in order to get more bonuses." Some of them even upheld the practice of "paying out all the bonus funds," and were of the opinion that they would suffer if the company complied with the regulations in paying bonuses. In order to correct these erroneous ideas, the company has conducted various forms of education to teach its staff and workers to understand the country's economic situation and to teach them to put the interests of the state first and make greater contributions to the state. In the company's sintering plant, the management used the figures in the state budget report of the Ministry of Finance to give the staff and workers the following account: In 1980, the state spent more than 20 billion yuan in providing various kinds of subsidies, from which each staff member or worker was benefited to the extent of more than 400 yuan a year. This meant that in 1980 the state spent a total of 26 million yuan in providing subsidies for the staff and workers in the company. This account made the staff and workers understand that state revenues are drawn from the people and used for the people and that the fundamental interests of the state, of the collective and of the individual conform with one another. Therefore, the enterprise had to make greater contributions to the state. By comparing the ratios of increase in labor productivity with the ratios of increase in bonuses and by comparing the ratios of increase in the purchasing power of the community and the ratios of increase in supply of goods, it taught its staff and workers to understand the reason why the amount of bonus payments should be controlled. Thus they fixed in people's minds the idea that "one has to strive to make greater contributions and should not haggle for more bonuses."

Third, the company has conducted education on taking the whole situation into account. After establishment of the economic responsibility system, there were a few units that paid attention only to striving to obtain more bonuses for themselves regardless of the interests of the whole company and the demands of the whole situation. There were also comrades who worried that the establishment of the economic responsibility system would give rise to a tendency of "each striving for his own interests in the manner of everyone for himself and let the devil take the hindmost," and then the company would become a complex that existed in name only. In order to correct these wrong ideas, the company has taught its staff and workers to take the whole situation into account and to correctly handle the coordinated and cooperative relationships between different sectors inside the company. Only when the staff and workers know how to take the whole situation into account and to correctly handle the coordinated and cooperative relationships between different sectors can harmony between various items of work in the company be ensured and can comprehensive economic results be achieved. The motive power plant has organized its staff and workers to make the following calculation: If the plant blindly lowers its expenditures and causes a drop in the pressure of compressed gas below standard, this will cause a loss of

760 yuan per minute to the pipe-welding plant, a loss of 1,530 yuan per minute to the Nos 2 and 3 blast furnaces, and a loss of 200 yuan per minute to the pilot plant. This calculation made the masses see that they should not restrict their calculations to what they can save on in their own unit, but they should also conduct the even more important calculation of the impact of their activities on other units and on the whole situation of the company. Thus the masses have become more conscious in intensifying their unity and coordination with other units.

In conducting political and ideological work, the company not only relies on a small number of propaganda cadres, but also mobilizes the ranks of its party members and key staff members and workers to take part in the work. In the company, there are 93 report writers at the factory or bureau levels and 2,018 propagandists who are not withdrawn from production. These report writers and propagandists have written as much as 210,000 characters of propaganda material. The company CCP committee requires its party members to play the exemplary role of pioneers and to do a good job of conducting political and ideological work in their groups and teams. It has also given play to the role of the worker congresses in making the staff and workers take part in the company's decisionmaking on major issues related to planning, production, benefits and distribution and in making them concerned with the collective and the factory.

The experience of the Capital Iron and Steel Company proves that in implementing the economic responsibility system, we can by no means weaken our political and ideological work. On the contrary, we should strengthen it. Therefore, the political and ideological work is and will forever be the lifeline of our economic work. Political and ideological work must be integrated with economic work and only thus can the economic responsibility system be developed healthily.

The company's basic work in enterprise management is in relatively good order and its managerial standard is relatively high. It has favorable conditions for implementing the economic responsibility system. The key reason why it has achieved remarkable results in implementing the economic responsibility system lies in its having a strong leading group that is able to correctly understand the aims and significance in implementing the economic responsibility system and to conscientiously carry out the party's policies and principles. As the economic responsibility system was implemented a short time ago, in some units of the company the system has not yet been carried out well, and some measures the company has adopted to implement the system need to be further improved. Moreover, the company should continue to improve its manner in handling its relations with the state. What form of distribution of profit should be adopted in a large-scale complex like the Capital Iron and Steel Company, which is mainly conducting its production according to the plans of the state that are in the nature of directives? What is the rational limit to the proportion of profit that a large-scale enterprise can retain for its own disposal? These questions and a number of other questions such as those related to the division of authority in the company and those related to the limit of the powers of its factories and mines, are to be solved through carrying out practical research.

## THE SCIENTIFIC THEORY OF SOCIALISM AND THE REALITY OF SOCIALISM IN CHINA

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[Article by Duan Ruofei [3009 5387 7236]]

[Text] In modern world history, following the development of the contradictions in capitalism, a new branch of learning--the theory of socialism--emerged as the times required. When the theory came into being, took shape and was still in its initial stage of development, the historical conditions were immature, so it had to have a utopian nature. After the 1840's, along with the gradually ripening historical conditions and the development of the movement for the working class to win liberation, through the discriminating and revolutionary creations of Marx and Engels, the theory of socialism proceeded from fantasy to science.

Scientific socialism emerged on the basis of the international socialist movement. After its emergence, it directed and promoted, in turn, the development of the socialist movement. The victory of the Russian October Revolution helped turn scientific socialism from theory into reality in a big country. After World War II, socialism developed from the practice of a specific country to the practice of countries on an international scale. At the same time, proceeding from the actual conditions in their own countries, the working class and communists of the other countries in the world were all exploring roads leading to socialism.

Under the leadership of the CCP and the guidance of the theory of scientific socialism, in 1949 the Chinese working class and laboring people won nationwide victory in the revolution and established the state regime under the people's democratic dictatorship. Through new democracy and the transitional period of advancing to socialist revolution, the establishment of socialist society began in China. This was the greatest and most profound social change in Chinese history. The eighth national CCP congress, held in 1956, affirmed this great victory, summed up our experiences and clearly charted the path for the development of China's socialist society.

From the establishment of our socialist society up to this day, more than 20 years have elapsed. During this period of time, owing to the serious faults and errors caused by "leftist" guiding ideology, and particularly the sabotage by the Lin Biao and Jiang Qing counterrevolutionary cliques during



the 10 years of internal disorder, our socialist cause suffered colossal setbacks and the superiority inherent in the socialist system was not brought into proper play. Despite all this, the socialist nature of our society has not changed. On the contrary, it is precisely because our socialist system possesses outstanding stability and powerful vitality that we could victoriously smash the Lin Biao and Jiang Qing counterrevolutionary cliques and corrected our own serious faults and errors. Since the 3d Plenary Session of the 11th CCP Central Committee, in proceeding from China's national condition and applying the theory of scientific socialism, the CCP Central Committee corrected once and for all the "leftist" mistakes in its guiding ideology, made a strategic decision to readjust the economy and restructure the economic system, and formulated a series of correct policies for perfecting and developing the socialist system, thus ensuring the healthy development of our socialist society.

China's present-day society is a society established by the working class and laboring people under the leadership of the CCP and the guidance of the theory of scientific socialism by following the inevitable laws of historical development. The economic and political readjustment and reform we are carrying out now under the direction of the line formulated by the 3d Plenary Session of the 11th CCP Central Committee are aimed at perfecting and developing China's socialist society. The reality of socialism in China is the concrete embodiment of the theory of scientific socialism founded by Marx and Engels and its development under new historical conditions.

## I

Socialism is a social formation more advanced than any social formations in human history and is an integral whole of the economic forms (the relations of production) which suits the more advanced stage of development of the social productive forces and the political and cultural systems which correspond to the former. A survey of the economic formation (the relations of production) as the foundation will elucidate the problems we are going to discuss.

In the theoretical system of scientific socialism, socialized productive force is a prerequisite for, and of basic significance to, socialism. A socialist society without any socialized productive force would be nothing but a castle in the air. Adherence to the thesis that only on the basis of socialization of productive force can socialist society be established is by no means philistine economic materialism but rather Marxist historical materialism. The most important ground for the argument which doubts the nature of China's present-day society is that we have not, as they see it, established a socialized productive force of the socialist society. Whether we have established, after all, the socialized productive force of a socialist society is indeed a basic prerequisite for judging whether our society is a socialist society.

The reason why the theory of scientific socialism founded by Marx and Engels is scientific is that, generally speaking, it does not proceed from the concepts of rationality and equality and from wishes, ethics and ideals, as

the theory of utopian socialism does, to draw conclusions about socialism and to take socialism as an embodiment of such concepts as the realm of equality divorced from the state of the development of the material productive forces; on the contrary, it proceeds from the observation and study of the laws of the development of the material productive forces and establishes the objective grounds for the inevitable realization of socialism. Under the relationships of the capitalist commodity economy, in terms of the theory of scientific socialism, the historically developed socialized productive forces and all forms of the system of private ownership, including the system of capitalist private ownership, are diametrically mutually exclusive. The result of the development of the contradictions between the socialization of productive force and the system of private ownership is the replacement of the system of private ownership by the system of socialist public ownership which suits the socialization of productive force. It means the birth and establishment of socialism. All theories that depart from the survey of the socialization of productive force are idle dreams. It is impossible to build a genuine socialist society by leaping over the historical stages of the development of productive force. What social forces to depend on and what path to take in realizing socialism as distinct from utopian socialism, but not the fundamental indication, is whether the socialization of productive force is regarded as the point of departure for theory; practice is the most fundamental demarcation line between scientific socialism and utopian socialism.

Then, in terms of the theory of scientific socialism, what ultimately is socialized productive force? In his work "The Development of Socialism From Utopian to Scientific," Engels summarized the description by Marx in his "Das Kapital" on the historical process from individual production to socialized mass production, as follows:

"As testified by Marx, if the bourgeoisie does not turn those limited means of production from personal means of production into socialized ones, that is, turn them into means of production for the common use of large numbers of people, it will be impossible to turn them into powerful productive forces. Spinning machines, motorized weaving machines and steam hammers have replaced spinning wheels, manually operated weaving machines and manually operated forging hammers; factories which need the cooperation of hundreds or thousands of people have replaced small workshops. Like the means of production, production itself has turned from a series of individual actions into a series of social actions and, in addition, the products have been turned from personal products into social products. Now yarn, cloth and metal articles produced by factories are common products of numerous workers, which must go through their hands before they become finished products. No one of them can say: 'I produced this product. It is mine.'" ("Selected Works of Marx and Engels," Vol 3, p 426)

Thus it can be seen that so-called socialized mass production, as Marx and Engels saw it, means the socialization of the means of production, the process of production and the finished products of production, and also means that the means of production are those which are commonly used by many people, the process of production is that which is carried on by

hundreds or thousands of people in the spirit of a proper division of labor and coordination, and the finished products are those which are commonly produced and owned by them.

Socialism is, in terms of its economic form, the inevitable demand of this kind of socialized productive force and the relations of production which suit the nature of the former; in other words, the socialist relations of production are established on the basis of this kind of socialized productive force. Then does present-day China actually have the socialized productive forces on which the socialist relations of production can be established as Marx and Engels mentioned?

The social productive forces during the stage of socialist transformation and at the present stage (after the basic completion of the socialist transformation of the private ownership of the means of production up to now) were, generally speaking, in a state of uneven development, in which advanced and backward social productive forces coexisted. However, in this uneven development, the socialized productive forces have reached a certain level.

The socialization of the productive forces can be analyzed from different aspects. In the following passage, we are going to make a separate and rough survey of the situation of China's socialized productive forces during these two historical stages through some figures and dates and from different aspects.

Let us first have a look at the basic situation of China's socialized productive forces during the stage of socialist transformation.

First, after the founding of the PRC, we confiscated bureaucrat-capitalist enterprises and revived production. By the end of 1952, that is, on the eve of the all-round implementation of socialist transformation, China's steel output totaled 1.35 million tons (the total world steel output in 1870 including that of Britain, the United States, France, Germany and other advanced countries was 520,000 tons); electricity was 7.3 billion kilowatt-hours; the ratio of the total industrial output value to the total value of industrial and agricultural output constituted 41.5 percent; that of modern industry to the total industrial output value accounted for 64.2 percent and the number of staff and workers was 16 million. Second, we adopted the principle of effecting socialist transformation simultaneously with socialist construction. The socialist transformation made rapid progress and, at the same time, the socialized productive forces also developed at a very fast pace. Between 1953 and 1956, the annual progressive increase in the total national industrial output value was 19.6 percent. Third, what is particularly important is that while observing and studying the problem of the relations between socialized productive force and socialist revolution, instead of isolatedly and exclusively concentrating on the quantitative targets of socialized productive force (in the theory of scientific socialism, there is no such mechanical definition relating to this target; of course, this does not mean that there is no need to have a certain quantity, and this point must not be misunderstood), we must put the question into a

certain historical context and make a concrete survey of it. It must be realized that the important part of the section of socialized productive force we possessed was highly centralized. It controlled the economic lifelines of the whole country and furthermore had been in the hands of the state under the leadership of the working class and become an economy that was socialist in nature. This fact was of decisive significance. The contradiction between this newborn socialist economy on the one hand and the continued existence of a substantial capitalist economy and individual economy on the other hand constituted the principal contradiction in China's new democratic society. Dialectics tells us that contradictions push things forward. It was precisely this contradiction, and the sharpening of the spread and struggle of this contradiction, that pushed our country forward from the new democratic society to the socialist society. (Please note: In making a survey of capitalist society, Marx and Engels analyzed its contradictions between the socialized mass production and the capitalist private possession and pointed out that the spread and sharpening of this contradiction--centering on cyclical economic crises--would lead to the collapse of capitalism and the birth of socialism. The contradiction within the range of history which Marx and Engels analyzed and which would propel history to socialism and the contradiction within the range of history which we are now analyzing are different and must not be analogized simplistically or applied mechanically. To fail to ascertain that kind of contradiction manifested by the cyclical economic crises within the range of history we are observing and studying, and then to categorically assert that China does not have the historical grounds for realizing socialism, is to commit the major logical mistake of drawing an erroneous analogy.) The pace of history is certainly not deranged. China's transition from a new democratic society to a socialist society was a necessity of historical development.

Let us take a further look at the situation of China's socialized productive force at the present stage.

The number of industrial enterprises between 1957 and 1980 increased from 170,000 to 377,000. (China had 580,000 forging presses, of which 3 were 10,000-ton and above hydraulic pressure machines; there were 21 such machines abroad; of the 580,000 forging presses, 35 were 1,000-ton and above hydraulic presses, which was equal to the number of such presses owned by the European Economic Community. It had 2.52 million cutting machine tools, only exceeded by the United States and the Soviet Union, ranking third in the world.) The number of staff and workers between 1957 and 1980 increased from over 30 million to 100 million. The output of steel between 1957 and 1980 increased from 5.35 million tons to 37.12 million tons. The proportion of industrial output value in the total industrial and agricultural output value between 1957 and 1980 increased from 56 percent to 75 percent. Electricity was extensively used. Such industries as machine building, automobile manufacturing, ship building, aircraft manufacture, electronics, petrochemistry, plastics, chemical fiber and synthetic rubber had already been set up. The use of the most advanced present-day branches of science and technology, such as electronic computers, automatic control, atomic energy and lasers, had already begun to be used in some departments. Machinery, electricity and chemical fertilizers were extensively applied to agriculture.

In 1980, the power-driven equipment for agricultural use totaled over 200 million horsepower; electricity used in rural areas totaled 32 billion kilowatt-hours, and more than 12 million tons of chemical fertilizers were applied. The area of farmland plowed by tractors was over 610 million mu, accounting for 41 percent of all farmland, and the area of farmland under drainage and irrigation totaled more than 670 million mu, constituting 45 percent of all farmland. The application of modern science and technology to agriculture had already begun. An independent and comprehensive national economic system with socialized productive force as the leading factor had been gradually set up.

The above figures and data are far from complete and precise. However, from them we can see that China actually has a considerable socialized productive force. In accordance with the theory of scientific socialism of Marx and Engels, the socialist relations of production can be established on the basis of such a productive force. Our socialist relations of production are established on a material foundation of socialized productive force. Precisely because of this, our socialism is scientific socialism. Therefore, it has the outstanding stability and powerful vitality which can surmount serious setbacks and difficulties. The categorical argument that we do not have the socialized productive force on which to establish the socialist relations of production as specified by Marx and Engels is groundless. As for the argument that socialist relations of production can be established so long as we have certain political conditions regardless of the state of the productive force, this is of course a misunderstanding or misinterpretation of the socialist nature of the society we have established on the foundation of socialized productive force, and is not a Marxist scientific explanation of the socialist nature of our society.

In accord with the theory of scientific socialism, socialized productive force is the material foundation of a socialist society, but on no account does this mean that the level of development of productive force is the only factor for the emergence and victory of socialist revolutions. Marxism holds that the emergence and victory of any socialist revolution and the replacement of old social formations by new social formations are the outcome of the interaction of various social and historical factors on the basis of the movement of productive force, and not the product of the single factor of the movement of productive force. That is the case with the social change of the replacement of feudalism by capitalism and is much more so with regard to a socialist revolution in which the working class conscientiously establishes the socialist system under the guidance of the theory of scientific socialism. The essential socialized productive forces are the ultimate decisive factor for realizing socialism but not the only factor; they are the necessary conditions for establishing a socialist society but not the sufficient conditions. The emergence, development and victory of socialist revolution in a certain country are the outcome of the common actions of numerous economic, political, ideological and cultural, practical and historical, domestic and international as well as objective and subjective conditions. That is to say, a socialist revolution moves forward amid the "coordinated actions" into which various social forces are synthesized on the basis of economic strength. One must not suppose that

this process of revolution is merely an economic process. In addition, the maturity of the many conditions which promote the emergence, development and victory of the revolution in a certain country by no means corresponds mechanically with the level of the social productive forces of that country. Therefore, the world socialist movement is characterized by uneven development. In the early 20th century, the Russian socialized productive forces developed on a considerably large scale, but compared with those of the European and other developed countries, its socialized productive forces were still low. Owing to historical, theoretical, political and other reasons, the Russian socialist movement came to the forefront of the world ranks. Moreover, the special environment created by World War I constituted favorable conditions for the Russian proletariat to seize political power. In light of the historical conditions of the Russian proletariat, Lenin pointed out that the process of historical development could be altered. He adopted the principle of first seizing political power and then wielding this political power to develop the social productive forces and led Russia in taking the socialist road. In answering the accusations of Sukhanov and others that "the Russian productive forces have not developed to the degree necessary to realize socialism," Lenin pointed out: "You say that civilization is necessary for the building of socialism. Very good. But why could we not first create such prerequisites of civilization in our country, ...and then start moving toward socialism? Where, in what books, have you read that such variations of the customary historical sequence of events are impermissible or impossible?" "While the development of world history as a whole follows general laws it is by no means precluded, but on the contrary presumed, that certain points of development may display peculiarities in either the form or the sequence of this development." ("Selected Works of Lenin," Vol 4, pp 692, 690) This theoretical exposition on the rationality of the October Revolution (being in conformity with the laws of historical development) is of universal significance. On the basis of this exposition, Lenin predicted: "Subsequent revolutions in oriental countries, which possess much bigger populations and much more diverse social conditions, will undoubtedly display even greater distinctions than the Russian revolution." (ibid., p 692) The course of the development of the Chinese revolution has fully confirmed this prophesy of Lenin's.

In modern times, since China was a semicolonial, semifeudal big oriental country, its social productive forces were, generally speaking, quite backward and also exceedingly uneven. There was an advanced sector in the backward social productive forces, that is, the modern industry, which constituted about 10 percent of the national economy. Although this sector of socialized productive force was not a large proportion, it was quite concentrated, and thus it controlled the state's economic lifelines. It is precisely this economic fact that fundamentally determined the course of development, the future and characteristics of the Chinese revolution. In analyzing this question, Comrade Mao Zedong pointed out: "China already has a modern industry comprising about 10 percent of its economy; this is progressive and different from ancient times. As a result, China has new classes and new political parties--the proletariat and the bourgeoisie, proletarian and bourgeois parties. The proletariat and its party, because they have been oppressed by a multitude of enemies, have become steeled and

are qualified to lead the Chinese people's revolution." ("Selected Works of Mao Zedong," Vol 4, p 1320)

In leading the Chinese revolution, the Chinese communists inherited and developed Lenin's thinking--first, when the conditions for seizing political power were ripe, we first seized political power, then revived and developed the economy; second, on the basis of a certain scale of socialized productive force, we formulated and carried out the principle of simultaneously carrying out socialist revolution and socialist construction and creatively opened the path for socialist transformation which was suited to China's national condition. Under the correct and strong leadership of the CCP, China entered the socialist stage at a relatively rapid pace. Despite some shortcomings in that the changes were too rapid and the work was far from meticulous in the later stage of the socialist transformation, viewing the situation as a whole, great successes were really scored. The brilliant successes in the rapid development of the social productive forces and the marked improvements in the people's living standards during the stage of the first 5-year plan forcefully prove this point. That China entered socialist society earlier than some countries whose socialized productive forces were more developed was the result of the interaction of numerous conditions on the basis of the required socialized productive forces, the result of the efforts of the CCP to lead the Chinese working class and the masses of the people in active struggles by following the laws of historical development, the embodiment of the Marxist creative power of the Chinese working class and the Chinese people, and the pride and glory of the Chinese nation.

## II

When we say that China really has the socialized productive forces on which socialist relations of production can be established, we do not mean that all the productive forces of our country have reached the level of socialization. Viewed from the situation as a whole and compared with the world's developed countries at present, the level of our productive forces is relatively low; the level of development of the productive forces is also quite uneven, in terms of the national scale. Simple manual tools, modern large machines and automated mechanical systems exist side by side.

It is because of this state of affairs that our country cannot adopt a unitary system of socialist ownership at the present stage. In any case, our socialized productive forces occupy a dominant position in the whole production of the country, and socialized mass production dominates all of the country's economic lifelines. Therefore, our system of socialist ownership also occupies a dominant position. In addition, "this is a kind of general light illuminating all things and it will act on all other colors within it and change their hue." ("Selected Works of Marx and Engels," Vol 2, p 109) Illuminated by the brilliance of the system of socialist ownership, the economy under the system of individual ownership by the working people, within certain prescribed limits, has changed its own color and become a necessary complement to the socialist economy.

In regard to the nature of China's present-day society, no matter what comments some people at home and abroad might make and what judgments they might pass, in the whole social and economic relations of our country, the system of socialist ownership occupies a dominant position, and this is a hard fact which speaks louder than any words. Please look at:

Industry (1980)--The total industrial output value under the state ownership system constituted 78.7 percent and that under the system of collective ownership, 20.7 percent; the two added together comprised 99.4 percent. That was largely the case with fixed assets and the number of staff and workers.

Agriculture (1980)--The area of cultivated farmland under the state ownership system accounted for 5.7 percent and that under the system of collective ownership, 94.2 percent (which included the 7.1 percent of private plots of the commune members); the two added together comprised 99.9 percent. The grain output under the state ownership system made up 3 percent and that under the system of collective ownership, 91.2 percent; the two added together comprised 94.2 percent. The total agricultural output value under the state ownership system accounted for 3.8 percent and that under the system of collective ownership, 77.2 percent; the two added together comprised 81 percent.

Commerce (1980)--The total retail sales of commodities under the state ownership system occupied 84.2 percent and that under the system of collective ownership, 11.9 percent; the two added together comprised 96.1 percent.

Finance--As the national centers for settling accounts, credit centers and centers for receipts and payments, the banks were already in the hands of the state and the system of socialist ownership dominated all positions.

Then, is this society, in which the system of socialist ownership occupies a leading and predominant position, not socialist in nature? Can we doubt the socialist nature of our society just because the system of socialist ownership has not, in the whole economic relations, reached the extent of "being perfect and pure"? Or must a society be regarded as a socialist society only after the whole society has entered the "perfect and pure" socialist relations of production?

Here we can make a historical survey and comparison.

In the slave society, the system of ownership by the slave owners constituted the basic economic relationships of the society and thus determined the nature of the society. However, in addition to this, there were still large numbers of people free from the system of ownership by the slave owners. The society was actually not "perfect and pure." Ancient Greece serves as an example.

In the feudal society, the system of feudal ownership constituted the basic economic relationships of the society and thus determined the nature of the society. However, in addition to this, there were still remnants of the old



society of ownership by the slave owners, the seeds of future capitalism, and also a large number of individual economies of the land-holding peasants and small handicraftmen. The society was actually not "perfect and pure." The European medieval feudal societies and the Chinese feudal society were the same in this respect.

In the capitalist society, the system of capitalist ownership constitutes the basic economic relationships of the society and thus determines the nature of the society. However, in addition to this, there are still a great number of multifarious forms of individual economy and other economic forms. Neither is it actually "perfect and pure." The most developed countries in modern history and at the present time, such as the United States, Britain and France are all societies like this. Just as Lenin said: "There is not a country in the world, even the most developed, where capitalism is to be found exclusively in its most pure form." ("Collected Works of Lenin," Vol 29, p 163)

The form of ownership system of a society which constitutes a basic economic relationship and occupies a predominant position in that society determines the nature of that society. In accordance with this principle, ancient Greece can thus be called a slave society; the various European medieval countries can be called feudal societies; and countries in modern history and at the present time such as the United States, Britain and France can be called capitalist societies. Why then, can present-day China, where socialist production relationships occupy a leading and predominant position, not be called a socialist society?

In fact, in his "Critique of the Gotha Program," Marx discussed this problem: "What we have to deal with here is a communist society (note: this refers to its first stage, that is, the socialist society as we now call it) which has not developed on its own foundations, but, on the contrary, has just emerged from capitalist society. It is thus in every respect, economically, morally and intellectually, stamped with the birthmarks of the old society from whose womb it emerged." ("Selected Works of Marx and Engels," Vol 3, p 10) Marx here depicted the general characteristics of a socialist society. The reality of China's present-day socialism has confirmed this depiction by Marx. A socialist society, and especially in the early stages of development after its emergence, economically and in other respects "is still stamped with the birthmarks of the old society from whose womb it emerged." Thus it is not perfect and pure. It is a phenomenon which is in conformity with the course of historical development rather than something strange. Everything has its historical course of coming into being and developing. A socialist society will inevitably undergo its own course of development, a course from "imperfect and impure" to relatively "perfect and pure." Today's Chinese socialist society is still in its infancy, but it has already the regularity of a socialist society. We must not negate its fundamental nature because of its "imperfection and impurity."

It must be acknowledged here that the course of development of the socialist society, which is from "imperfect and impure" to relatively "perfect and pure," is a course of development which "is based on its own foundations"

rather than being a "transition period." The characteristics of the transition period of socialism are just as Lenin pointed out: "This transition period must combine the features and properties of both these forms of social economy. This transition period has to be a period of struggle between dying capitalism and nascent communism--or, in other words, between capitalism which has been defeated but not destroyed and communism which has been born but is still very weak." ("Selected Works of Lenin," Vol 4, p 84) When China began its transition from the new democratic society to the socialist society (1952), the proportions of the state-run economy, the capitalist economy and the individual economy in the national economy were 19.2 percent, 6.9 percent and 71.8 percent respectively. But the present situation is that the socialist economy occupies a leading and predominant position. This state of affairs and the situation in which socialism and capitalism were in a state of decisive struggle of "who is beating whom" cannot be mentioned in the same breath. The difference in quantity has changed into a difference in quality. In the mid-1950's, our country victoriously pulled through the "transition period," abolished the exploiting system and the system of private ownership, established the basic socialist economic, political and cultural institutions and thus entered the socialist society. It is possible that the lumping together of these two historical stages of different natures will lead to "leftist" mistakes of inappropriately applying the economic and political categories in the transition period to the socialist society. These include the struggle between the two classes and the two roads being the principal contradiction in the society, and continuing to indulge in taking class struggle as the key link. This is not merely a logical analogy but has been proved profoundly by historical lessons.

It must be noted that the theory that it is still necessary to carry on "uninterrupted revolution" after our country has entered the socialist society (namely, the so-called theory of "continuing revolution under the dictatorship of the proletariat" or of "continuing revolution under socialism") is in fact a theory which negates the socialist nature of our present-day society. Engels said: "The so-called 'socialist society' must, like any other social system, be regarded as a society which undergoes constant changes and reforms rather than a fixed and unchangeable thing." ("Collected Works of Marx and Engels," Vol 37, p 443) The changes and reforms of socialist society mentioned here by Engels referred to those which took place on the socialist society's own foundations. These social changes and reforms are fundamentally different from the political revolution and economic revolution of one social system replacing another social system. These must not be jumbled together. The course of the growth and development of socialist society belongs to the course of a qualitative change on the foundations of its own quantitative regularities rather than a historical transitional period which undergoes a qualitative change. Therefore, we cannot and must not carry on "uninterrupted revolution," because according to the definition made by Marx and Engels, "uninterrupted revolution" falls into the category of political revolution and economic revolution. (Of course, this does not mean that we have fulfilled the tasks of our socialist revolution, and by no means does this mean that we need no longer do our work in the revolutionary spirit. This must not be misunderstood.) At the first stage of communist society, the socialist society is a society with a relatively

stable social nature. China has entered the historical stage of a stable development of socialist society. The argument that China's present-day society is still in the course of "interrupted revolution" is, in essence, negating the fact that our country has entered the historical stage of socialism and is negating the socialist nature of our society.

In short, our history has really entered the socialist society. This is the foundation for our future progress and development. All theories which negate the fact that our history has entered the socialist society in whatever form do not tally with China's realities.

True, while achieving brilliant successes after the establishment of our socialist society, we also suffered tremendous setbacks and grievous losses. In surveying the reasons for the emergence of these problems, apart from the obvious factor of the sabotage caused by the Lin Biao and Jiang Qing counterrevolutionary cliques, they include: 1) "leftist" mistakes committed in our guiding ideology; 2) drawbacks in the system which were shaped in history; and 3) failure of some of our concrete forms of the socialist ownership system and the distribution and management forms to correspond with the basic system of socialism. Our mistakes are definitely not the result of the establishment of the socialist system. On the contrary, it is precisely because of the establishment of the socialist system that we were still in a position to promote a considerable development of the productive forces when we suffered all kinds of obstructions and sabotage. The problem we are now facing is to restructure actively and steadily the system; to establish and perfect the operation and management forms which suit different systems of ownership, different regions and different departments; to promote the productive forces to develop at a proper speed; and to constantly improve and develop our socialist system while upholding the basic system of socialism. We must do this after bringing order out of chaos in the guiding ideology and continually bring order out of chaos in practical work. This must be done on the basis of a thorough and well-conceived investigation and study and when conditions are ripe, rather than changing the already established socialist system and turning around to go in for new democracy or state capitalism, as some comrades have advocated.

### III

The reality of China's present-day society is significantly different from the depiction on socialist society by Marx in his "Critique of the Gotha Program," and the assertion made by Marx and Engels that a socialist society is a society in which all the means of production are owned by the whole society and which has no commodities or money. In the eyes of some comrades, it is imperative to take this idea of Marx' and Engels' as the criterion in deciding whether China's present-day society is a socialist society or not. This kind of viewpoint and method are, in our opinion, incorrect.

In the theoretical system of scientific socialism founded by Marx and Engels, the depiction on the future socialist society is an important component part. Engels said: "Since socialism has become a science, people are required to

regard it as a science, that is, people are required to study it." ("Selected Works of Marx and Engels," Vol 2, p 301) In regard to this depiction of a socialist society by the founders of scientific socialism, we must integrate the historical grounds on which they made this kind of depiction in their times with the socialist practice in the 20th century and study it in a scientific way.

In the literature of scientific socialism, Marx' "Critique of the Gotha Program" occupies an important position. In the history of the theory of scientific socialism, this work for the first time divided communism into the stages of different degrees of economic development and depicted the fundamental characteristics of the two stages. Even now, it is still an important document for us in studying the theory of socialism.

However, can we consider that, since the depiction of socialist society in "Critique of the Gotha Program" provided us with a scientific definition of socialist society, we must take it as the only and absolute criterion or pattern and use it to rule our present-day socialist society?

First of all, we must clarify whether Marx' depiction on socialist society is a scientific conjecture and assumption or a scientific definition of socialist society.

Marx' criticisms of the Gotha program, namely, the "marginal notes to the program of the German Workers Party" were originally marginal notes for criticism, written by Marx in the draft program of the German Social Democratic Party into which the two parties in the German workers' movement (the Eisenaches and the Lassalleans) were going to merge. In criticizing the Lassallean articles of creed in the Gotha draft program, such as "undiminished" proceeds of labor, "equal rights" and "fair distribution," Marx discussed in passing some economic properties of socialist society. He made the following expositions:

1. Socialism is "a society based on common ownership of the means of production";
2. Socialist society is a society "just as it emerges from capitalist society, which is thus in every respect, economically, morally and intellectually, still stamped with the birthmarks of the old society from whose womb it emerged";
3. For this reason, in the distribution of personal consumer goods in a socialist society, distribution according to work should be practiced after various deductions are made from the total social products;
4. The labor of the individuals directly constitutes a component part of the total social labor. Therefore, the forms of "value" vanish and commodities and money are withdrawn from social economic life.

So long as we make a careful survey, we will realize that the "Critique of the Gotha Program" was not a special work of Marx' which aimed at studying

the socialist society and solving the problem of its scientific definition. While criticizing the Lassalleian articles of creed, Marx here only discussed in passing matters relating to socialism and did not expound the various characteristics of socialist society in an all-round way. For instance, in it there were no expositions on such principles as socialized mass production being the fundamental prerequisite and material foundation for the socialist society, or the extremely important economic property that production should be regulated in accordance with the needs of society and individuals in a planned way. No further detailed deliberations were made to the already involved matters relating to socialism.

What is particularly important is that the nature of these expositions by Marx is a kind of scientific conjecture of future things rather than a scientific summarization of the nature of the objects which people have fully understood. On this matter, Lenin gave a reasonable explanation. He pointed out:

"All Marx' theories are the application of the theory of development--in its most consistent, complete, considered and pithy form--to modern capitalism. Naturally, Marx was faced with the problem of applying these theories both to the forthcoming collapse of capitalism and to the future development of future communism.

"On the basis of what facts, then can the question of the future development of future communism be dealt with?

"On the basis of the fact that it has its origin in capitalism, that is, develops historically from capitalism, that it is the result of the action of a social force to which capitalism gave birth. There is no trace of an attempt on Marx' part to invent a utopia or to indulge in idle guesswork about what cannot be known. Marx treated the question of communism in the same way as a naturalist would treat the question of the development of, say, a new biological variety. Once he knew that it has originated in such and such a way and was changing in such and such a definite direction, he would be able to expound the question of the development of the biological variety." (See "Collected Works of Lenin," Vol 3, p 243. The passages quoted here are retranslated.)

Thus it can be seen that Marx' expositions on future socialism is only a scientific conjecture rather than a scientific definition or final conclusion on the socialist society.

Marx did not define the socialist society and, in addition, it was impossible for him to do so at that time. This is because, in order to make a scientific definition of an object, it is necessary to make such a definition after, and not before, one has had a relatively full understanding of its rich contents and nature. Furthermore, only after the object has taken shape and developed fully, can a full understanding of it be obtained. Just as Marx profoundly pointed out: "In pondering the forms of life of mankind and proceeding to make scientific analyses of it, a road contrary to the real development is invariably taken. This pondering is started after the

event, in other words, is started with the results of the completion of the course of development." ("Collected Works of Marx and Engels," Vol 23, p 92) In the 19th century in which Marx and Engels lived, socialism, as a brand-new social formation and social system, had not emerged on earth. How could they possibly gain a full understanding of the socialist society and give it a scientific definition?

We do not regard Marx' expositions on socialist society as a scientific definition. This does not at the least mean negating their scientific value. Conversely, we hold the view that Marx' expositions are of quite important and scientific theoretical significance, some of which contain great truth. This is because, although his depiction was a conjecture and assumption, it was formulated by Marx after making a strict scientific study of the developmental trends of the contradictions between the socialized productive forces which took shape in the capitalist society and the system of private ownership under capitalism. He applied the materialist dialectical viewpoint of development, and thus it was a scientific assumption and hypothesis. It plays an important instructive role in the practical movement of socialism and will be verified, revised, enriched and developed in this practical movement. Engels said: "So long as natural science is pondering, the form of its development is hypothesis.... At first it is only based on limited facts and observation. Further observed material will help these hypotheses become more pure. Some are discarded and some revised until the pure form of a law is eventually reached." ("Selected Works of Marx and Engels," Vol 3, p 561) Engels here brought to light the laws of scientific development. The theory of the future socialist society develops in the form of an hypothesis. This is a phenomenon entirely in conformity with the laws of scientific development.

Judged from the standpoint of Marxist materialism, any theory of social science is nothing but a generalized reflection and abstract manifestation of a certain stage of historical movement. This is also the case with scientific socialism itself, which was founded by Marx and Engels. Engels said: "Our theory is a theory of development rather than a dogma which should be recited fluently and repeated mechanically." ("Collected Works of Marx and Engels," Vol 36, p 584) The method of taking some conjectures and assumptions about socialist society, which were formulated by Marx and Engels and were based on the situation of the historical movement of the European capitalist countries and the United States in the 19th century, and their cognitive results belonging to certain historical conditions, as unalterable absolute truth and as an a priori pattern and sole criterion and using them to rule present socialist reality runs fundamentally counter to the viewpoint of Marxist materialist theory. Theory is the expression of historical movement. The socialist movement is advancing and the theory must also develop along with it. Pushing the theory of scientific socialism founded by Marx and Engels forward on the basis of the present great socialist practice is the Marxist correct attitude in handling theory.

By the 20th century, a tremendous leap has occurred in the socialist movement under the guidance of scientific socialism--scientific socialism has developed from theory to reality and the socialist system has been

established in large groups of countries. On the one hand, the reality of socialism has confirmed the scientific hypothesis by Marx and Engels about socialist society, and on the other hand, some of the expositions in their assumptions (like their argument that there are no commodities or money in the socialist society) have been revised. The present magnificent reality of socialism of the working class and the masses of the people has created and continues to create forms of realizing and developing socialism, which suit the national condition of various countries. Because of the different national conditions and different courses of historical development, in present socialist practice, it is inevitable that there have emerged multifarious forms different from the original assumptions by Marx and Engels. This is important development of the assumptions by Marx and Engels about socialist society and great progress in historical development.

Under the direction of the line of the 3d Plenary Session of the 11th CCP Central Committee, China's socialist practice has fundamentally corrected the "leftist" mistakes existing in our guiding ideology for a period of time in the past and ensured the new stage of development. Having summed up the experiences and lessons in socialist practice since the founding of the PRC and studied the experiences and lessons in international socialist practice, the CCP Central Committee pointed out: "There is no rigid pattern for the development of the socialist production relationships. At every stage our task is to create those specific forms of the production relationships that correspond to the needs of the growing productive forces and facilitate their continued advance." ("Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC") At the present stage (this historical stage is very long), the state-run economy and the collective economy constitute the basic socialist economic forms of our country and the working people's individual economy within certain prescribed limits is a necessary complement to the economy under the system of socialist public ownership. Socialist economic units should become relatively independent major economic bodies in the unified socialist economic system. It is necessary to fully develop socialist commodity production and commodity exchange. It is essential to practice a planned economy on the basis of the system of socialist ownership and at the same time bring into play the supplementary role of regulation by market mechanism. In drawing up plans, it is necessary for the state to give full consideration to and use the law of value. The point of departure and fundamental aim of socialist economic activities are to meet the increasingly growing material and cultural needs of the people.

The system of socialist ownership, that is, the socialist production relationships is realized through a series of economic activities, such as production, exchange and distribution. Exploring the operation and management forms and distribution forms which are aimed at realizing the socialist principles is an important task in improving and developing the socialist system. Since the 3d Plenary Session of the 11th CCP Central Committee, we have exerted herculean efforts in this respect. In the vast rural areas, the implementation of various forms of production responsibility system has helped closely integrate the responsibility, power and interests of the various major economic bodies and the laborers and tremendously aroused

the enthusiasm and the creative power of the peasants. Coordinated with other conditions, the production responsibility system has at one stroke swept away the many difficult problems which have existed since the agricultural cooperativization. (Of course, many new problems have inevitably arisen which need to be constantly solved by the CCP, the people's government and the masses of people together.) As a result, the situation suddenly cleared up. Where does the secret lie? Obviously, this state of affairs is not the result of the enthusiasm of individual production, much less the result of capitalism, but instead the result of effectively giving full play to the enthusiasm of socialism. On the basis of public ownership of the principal means of production like land, the practice of unified leadership and decentralized operations have been introduced. This practice is essentially different from the individual economy before the agricultural cooperativization or the practice of dividing the fields and working alone. This is a necessary readjustment of some aspects of the socialist production relationships and a restructuring of the management and distribution systems, rather than the replacement of the socialist collective economy by the individual economy. The production responsibility system of linking remuneration to output which is clear in regard to responsibility, simple and convenient to calculate, and easy to supervise is a good form of socialist operation and management, which is suited to the rural reality at the present stage. It is also a good form of implementing the socialist principle of distribution according to work. Exploratory reforms have begun to be carried out in industry, communications, finance and commerce under the prerequisite that they should be subject to and serve the readjustment. Marked achievements have been made in the experimental work of expanding the decisionmaking power of enterprises and implementing the forms of the economic responsibility system. All this has initially and forcefully shown that this form of management is a good form of socialist management. In socialist relations, the individual interests and those of the collective are integrated. This is the essential basic feature which distinguishes socialism from any society based on the system of private ownership and whose interests are antagonistic. "Socialism integrates individual interests with those of the collective instead of denying the former." ("Selected Works of Stalin," Vol 2, p 355) The whole problem lies in into what forms we can properly integrate the two. (The interests of the collective we refer to here include the interests of the state. The interests of the state are first and foremost.) Only in socialist practice can this problem be solved. Since the 3d Plenary Session of the 11th CCP Central Committee, the exploration and efforts we have made in improving the socialist forms of management and of distribution have been aimed, essentially, at seeking specific forms suited to the characteristics of the different regions, trades and departments. They are aimed at properly integrating individual interests with the interests of the collective and the state and fully arousing the enthusiasm of all laborers for socialism. Practice has proved that our efforts have produced remarkable successes. Over the past 3 years, production has steadily developed; the economic results have gradually improved; an all-round increase in agricultural output has been achieved; market prosperity has been promoted; and some improvements in the people's livelihood have been obtained. Thus bright prospects are emerging. Our socialist system is gradually improving and developing. The argument for the whole society



owning all means of production and which excludes production and exchange of commodities is completely wrong. The overcentralized form of management which justifiably existed in a certain historical stage, but which now is not suited to the new situation as a fixed pattern of and absolute criterion for the socialist society (a commonly used or popular expression is the so-called "the larger the scale and the higher the level of public ownership of the means of production and the more unified the operation and management, the better") and uses it to rule the socialist form created by the industrial and agricultural laborers in their hundreds and millions in the new socialist practice and denounces the socialist form as "retrogression" and even as "capitalist restoration" is also completely wrong. The restructuring of the economic system, which we have initially begun to carry out and will continue to substantially and steadily carry out, will be another extensive and profound change in China's social and economic relations. This follows the basic completion of the socialist transformation of private ownership of the means of production. As a result of this, our socialist economic system has become more perfect and our socialist society has become increasingly mature. Our highly developed material and spiritual civilizations will certainly emerge. China's socialist society will inevitably stand erect before the world with a much more majestic and magnificent image.

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IT IS IMPERATIVE TO UPHOLD THE BASIC PRINCIPLES OF MARX' THEORY OF  
REPRODUCTION--PART TWO

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[Article by Deng Liqun [6772 0550 5028]]

[Text] II. Harmonious Correlation Between the Two Major Categories Is the  
Basic Prerequisite for Normal Reproduction of Society

Based on the premise of his theory of reproduction, Marx first and emphatically analyzed the conditions for realizing simple reproduction, namely, variable capital plus surplus value of the first sector equals constant capital which consists of the second group. The formula which expresses this relationship is  $I(v + m) = IIc$ . The formula  $I(v + m) = IIc$  is the objective law of the process of simple reproduction, which also holds true for reproduction in a socialist society. While studying the problem of reproduction in our society, we must divide the total output of society into the two major categories of means of production and means of consumption and by value divide it into three component parts, that is,  $c$ ,  $v$  and  $m$ . In a socialist economy, there is no more surplus value, but surplus labor and surplus product remain.  $c$  represents the replacement of the machinery, equipment, raw materials and other means of production worn out or used up in the course of production;  $v + m$  represents the new value created by workers in the course of production.  $v$  is used to maintain workers' living standards, ensuring simple reproduction of labor. Under the conditions of expanded reproduction, a part of  $m$  has to be retained for accumulation while under the conditions of simple reproduction,  $m$  is entirely used for consumption. In the latter case,  $I(v + m) = IIc$  is the basic condition for the products under the first category and the products under the second category to be fully and mutually exchanged. If  $I(v + m)$  is smaller than  $IIc$ , then a part of the means of production which has been used up and worn out cannot be replaced; if  $I(v + m)$  is bigger than  $IIc$ , then part of the products under the first category will not be saleable.

Of course, in a capitalist country and especially in a socialist country, production, instead of being repeated on the existing basis year in and year out, is in general marked by expanded reproduction. The condition for realizing expanded reproduction is that the first category which comprises variable capital and surplus value is bigger than the second category which

represents constant capital; the formula which expresses this relationship is  $I(v + m)$  is greater than  $IIc$ . Only in this way is accumulation possible. This is what Marx meant when he said: "In the case of production being based on capital growth,  $I(v + m)$  must equal  $IIc$  plus the part of surplus product which has formed capital and plus the additional constant capital which is necessary for expanded reproduction of the second category, the minimum expanded reproduction of the second category is the minimum actual accumulation within the first category, or the minimum indispensable for actual expanded reproduction." ("Collected Works of Marx and Engels," Vol 24, p 285) But we should not treat the matter from a metaphysical viewpoint, regarding that  $v + m$  can be increased indefinitely relative to  $c$ , and even to such an extent that the two major categories will be out of balance and out of proportion. As a matter of fact, apart from the inherent limitations, the accumulation within the first category is also limited by the possibilities of accumulation within the second category, for "consumption for productive purposes is after all related to consumption of individuals" and the production of the means of production cannot develop in isolation without being coupled with the development of the production of the means of consumption. In order to realize expanded reproduction, it is necessary to form additional means of production, but at the same time to form additional means of consumption as well. That is why Marx said: "Just the first category must use its surplus product to provide the second category with additional constant capital, the second category must also provide the first category with additional variable capital by the same token." (ibid., p 584) While talking about the necessity of increasing the variable capital under the second category in accordance with the additional constant capital originating from the part of surplus value under the first category, Marx also said: This kind of increase "has as its premise, the tendency of further capitalization of the reproduction of the means of production, in other words, the inclusion in the reproduction in the second category of an increase in the part of the surplus product which constitutes the necessities of life." (ibid., p 586) In a word, in the course of expanded reproduction, there is a mutual relationship between the two major categories in respect of demand for additional products and the satisfaction of this demand, since these sectors are markets for each other and are conditioned and limited by one another. That tells us that, in the course of economic construction, the production of the means of consumption must grow in accordance with the growth of the production of the means of production, or we should not expand the production of the means of production alone without expanding the production of the means of consumption. Failing to grasp this point is the very course of our past ills. At one time, we pursued the policy of developing heavy industry unilaterally, emphasizing the iron and steel industry alone and giving it top priority. As a result, the two sectors were seriously out of proportion and the economic results of production and construction declined substantially.

Since the 3d Plenary Session of the 11th CCP Central Committee, at which the party Central Committee laid down the eight-character policy centered on readjustment, we have been implementing this policy. Especially after the Central Committee's working conference held at the end of 1980, this policy has been implemented with much greater consciousness. Owing to

efforts made in the past few years, the important proportionate relations of the national economy have really improved and some of them have remarkably improved. In the first place, the peasants have displayed much more enthusiasm. The rural economic situation as a whole is beyond expectation, and even in disaster areas the situation is much better than expected. The development of agriculture has resulted in a great change for the better in the disproportion between agriculture and industry. The Central Committee is identifying the problems which still exist in the countryside and will solve them so as to further boost agriculture.

Within the industrial sector, the relationship between heavy industry and light industry has also been becoming increasingly harmonious. Heavy industry uses some of its own products. For instance, coal is used for generating electricity and machinery is used for manufacturing machines. But even this part of the means of production is in the end subject to the limitations imposed by the production of the means of consumption, because after all the production of the means of consumption needs more means of production and in order to satisfy this need, the production of the means of production has developed and will develop for the same reason. To cite Lenin, this means: "The manufacturing of the means of production is not for the means of production itself, but for satisfying the growing demand for the means of production on the part of the industrial sector which manufactures the means of consumption." ("Collected Works of Lenin," Vol 4, p 143) Therefore, the heavy industry department must realize that although a part of its products is for satisfying its own needs, its products are after all to serve light industry and agriculture, providing them with raw materials, other input materials and increasingly advanced machinery and equipment. In this way, the orientation of development of heavy industry will be correct. But in the past, we did not do so. Did the comrades engaging in heavy industry not want to serve light industry? We cannot say this. They did not want to do so, but thought in this way: When I have developed and become stronger, I will give you a lot of help. We cannot say that there is not a word of truth in this. But this way of thinking does not cover all facets. Viewing the matter in all its facets, we should say that heavy industry, once developed, will have to better serve light industry, but in the course of its development, heavy industry must regularly serve light industry as well. We must fully realize that instead of being able to develop alone, the production of the means of production can develop only if there exists a concerted development of both the major categories; proportionate development means that in every production cycle, the development must be proportionate, instead of meaning that we may unilaterally develop one sector in a certain cycle and then another sector in a subsequent cycle so as to achieve an overall proportionate development of the two cycles. To do this practically means to give up proportionate development. If, once steel and big machines are available, we only think of setting up new steel works and machine-building factories, and often forget the objects of service while taking care of self-interest alone, we will fail to bring about the conditions for further development. We should not go along this road again. Light industry did not get timely help from heavy industry to improve its machinery and equipment, nor sufficient supplies of raw materials. On the other hand, light industry got very little investment from the state and even had to

manufacture equipment to meet its own needs. This is in fact to shift to the first category a part of the materials and labor which originally belonged to the second category, inappropriately reducing the proportion of the second category. Or it had to make do with old equipment. As a result, light industry developed far more slowly than heavy industry, provided the society with consumer products which were far below its purchasing power and caused light industrial products to remain unchanged for decades. In the last couple of years, we have given priority to developing the production of consumer goods while readjusting the economy and achieved great success. As early as 1979, light industry developed faster than heavy industry and maintained a fairly high growth rate in both 1980 and 1981.

We should say that we have all the conditions for consciously ensuring the harmonious development of the production of society and even of the national economy as a whole. Under the capitalist system, since enterprises are owned by a large number of capitalists, all the connections in the field of production "can only be imposed on the entrepreneurs, as a blind law, instead of being grasped and manipulated by them collectively and rationally with a view to putting the production process under their joint control." ("Collected Works of Marx and Engels," Vol 25, p 286) With the establishment of the socialist system of public ownership, people are in a position to consciously arrange their own economic life and, as long as we know the objective economic laws in depth and undertake economic activities according to these laws, we will be able to ensure that the production of our society progresses harmoniously. This is one of the major advantages resulting from the superiority of the socialist system. In the past, the reproduction of our society became disproportionate more than once, just because we breached the objective law which prescribes that the two major categories must develop harmoniously. Of course, we might find many reasons to account for this situation. For instance, it is not so easy to know objective laws; or, under the present system of ownership and level of productive forces, it is still impossible to subject all enterprises and all products to planning, and so forth. But what deserves our special attention is that we did not handle the relationship between proportion and speed well. In the past, we held the view that proportion was not so important and that what really counted was speed. Looking back, this view just inverts the relationship between proportion and speed. Take running for instance: Only with two normal legs can one run and run fast; how can one run with one leg shorter than the other? A man will fall if he chooses to run like that. In 1958, we set high targets for the iron and steel industry, as key sector, to achieve, mobilizing thousands of people to go up mountains for steel and iron-smelting and thus caused serious disproportion in the national economy. In that year, the growth rate seemed to be very high, the total industrial and agricultural output value rising sharply by 32.2 percent from 7.9 percent the previous year. This growth rate could of course not last for long. In 1961, the growth rate of the total industrial and agricultural output value dropped sharply by 30.9 percent with respect to 1960. This growth rate again dropped by 10.1 percent with respect to 1961. Only from 1963 did the growth rate start rising again. It is therefore evident that without proportionate development it is impossible to achieve high growth rates. Comrade Chen Yun has said that the question of high or low growth rates is

in fact an issue concerning the proportions of the national economy; only proportionate development will make higher growth rates feasible.

Why should we readjust the national economy? The very purpose of the readjustment is to bring about a national economy of better proportions and then to develop it more proportionately. As everybody can see, the present economic situation of our country is good. Nothing apart from the readjustment can account for this good situation. Without the readjustment, agriculture and light industry would not have developed so fast, market supplies would not have become so abundant and latent trouble would not have been eliminated. While emphasizing that heavy industry must develop at a certain speed, some comrades say that only if the growth rate of the economy has reached a certain level, will favorable conditions for readjusting the economic structure and proportions emerge. Here again, they put the cart before the horse. The heavy industry output value for 1981 is expected to decline by about 5 percent with respect to 1980. What are the reasons for this decline? In his report on the government work to the fourth session of the fifth people's congress, Comrade Zhao Ziyang made an analysis, enumerating the following cases: A number of heavy industrial enterprises have stopped producing some products in fixed supply, which are heavily stockpiled and consume a lot of energy; the energy thus saved can be used to meet the needs of light industry, therefore this measure is necessary and rational. In quite a large number of enterprises which mainly served capital construction for a long time, production is declining owing to a reduction in orders for equipment and other means of production from the sector of capital construction, the amount of investment in which has been largely reduced this year; this is inevitable in the course of readjusting the orientation of service and the structure of products within the heavy industrial sector. There is a third case. Some comrades, who, failing to sufficiently realize the necessity of readjusting the orientation of service and the structure of products of heavy industry, have not acted promptly and delayed in making necessary shifts in production; this has resulted in a decline in the production of some heavy industrial products, which should not have declined. This incorrect tendency should change. Comrade Zhao has explained very clearly why, during the readjustment period, industry output value is likely to decline temporarily. In fact, since the second half of 1981, a lot of work has been done in heavy industry with a view to changing its orientation of service, curtailing products in excessive supply and increasing products that the people need urgently for their livelihood as well as products for export. This work has already produced initial results. On the other hand, the production of heavy industry started rising again in the fourth quarter of 1981. If we had acted as some comrades advocate, striving to achieve higher growth rates for heavy industry alone while refusing to carry out further readjustment, what would have been the results? More products in ample supply would have been stockpiled and products for which nobody places orders would have been manufactured as before. This would not only have wasted labor and materials, but would in the end have again made the two sectors which were being geared to harmonious correlation, disproportionate.

In order to ensure that the production of society can develop harmoniously, we should also pay special attention to the handling of the relationships between the planned economy and regulation by market mechanism. The establishment of public ownership enables the people to handle their own economic relations and consciously carry out economic activities according to a unified plan for the society. But given the present level of productive forces and the present state of ownership in our country, instead of unifying all the economic activities, the state plan can only cover the major sectors of production and circulation.

At the working conference of the Central Committee held in April 1979, it was suggested that in our national economy as a whole, we may act according to the principle of combining planned regulation and regulation by market mechanism, mainly relying on planned regulation while giving due consideration to the functions of regulation by market mechanism. In fact, the matter had been deliberated for quite a long time before the working conference. The comrades taking part in the deliberations and discussions all approved this proposal as a principle. On 12 March of the same year, at the first seminar on business administration held by the State Economic Commission, I delivered a speech. Pointing to the past deficiencies which consist of overconcentration of power, overcomprehensive planning and lack of flexibility, and in the light of the principle deliberated upon before the Central Committee's working conference, I mentioned two possible ways of regulating the national economy saying that: "The production and construction sectors which are indispensable to the society and are of vital importance to the national economy and people's livelihood must be strictly subject to planned regulation, while the remaining sectors are to be regulated by market forces." On 27 August of the same year, in my speech to the participants of the third seminar I again mentioned that combining planned regulation and regulation by market mechanism was a new proposal insofar as its formulation was concerned; but as regards the way of doing things, it was not unfamiliar to the comrades who had been doing economic work for a fairly long period of time. When Comrade Chen Yun was in charge of all the economic work of our country, we worked exactly in this way. In the same speech, I suggested that we should again seriously study the speech that Comrade Chen Yun made at the eighth party congress, especially the well-known part revealing how Comrade Chen Yun envisaged the pattern of our socialist economy, which included: "Planned production constitutes the body of our industrial and agricultural production, and free production which operates in accordance with market trends and within the limits allowed by the state plan is complementary to planned production." I also mentioned: "We have been doing economic work first this way then that way. But it appears that we must again go along the road suggested by Comrade Chen Yun many years ago."

In the two speeches, I also touched on another issue: Since our production as a whole is commodity production, we have to decide, both for the sectors subject to planned regulation and the sectors subject to regulation by market mechanism, whether a production unit should have power and how much power it should have. In order to engage in commodity production, we must admit that the law of value performs a regulating function in the production

field, admit that enterprises should have various degrees of autonomy within the framework of the state plan, and admit that they may have, to various degrees, their own material interests. That is, we must admit that they are commodity producers enjoying relative independence.

Since the 3d Plenary Session of the 11th CCP Central Committee, pursuant to the policies of the party Central Committee, we have implemented many forms of the production responsibility system. In the cities, a number of enterprises have been given greater autonomy on an experimental basis, the collective economy has been greatly boosted while the individual economy has been suitably developed; and the financial system has undergone its first reforms. All this work has contributed remarkably to boosting the industrial and agricultural production and the whole national economy of our country. During this period good experience was acquired while many new problems, which have to be solved in earnest, cropped up. This period has also provided us with the possibility of finding a more scientific solution to the problem of a planned economy which also has regulation by market mechanism. The Central Committee's working conference held in December 1980 resolved to adopt an important policy: on the political side, to enhance stability and on the economic side, to pursue readjustment. The "Resolution on Certain Questions in the History of the Party Since the Founding of the PRC" passed by the 6th Plenary Session of the 11th CCP Central Committee summarizes the experience we have gained from practice since the founding of our country, especially since the 3d Plenary Session of the 11th CCP Central Committee. As regards planned economy and regulation by market mechanism, Comrade Chen Yun suggested during the discussions that the formulation in the draft resolution should be amended to "it is necessary to realize a planned economy on the basis of public ownership and at the same time make use of the market as an auxiliary regulating instrument." He also told the comrades drawing up the draft that we needed to bring about a brisk economy but we should be careful not to forget the planned economy while doing this. At a meeting of the party's first secretaries at provincial, municipal and autonomous regional levels held in December 1981, and in his talk with the comrades in charge of the State Planning Commission during this year's Spring Festival, Comrade Chen Yun again emphasized that both in industrial production and in agricultural production, we should uphold the basic principle of letting the planned economy play the principal role and letting regulation by market mechanism play an auxiliary role. Whether in construction and life or in accumulation and consumption, we should act according to plan. Facts have proved that, in comparison with the formulation of 1979, Comrade Chen Yun's suggestions and opinions, which have obtained the unanimous approval of all the top-ranking members of the Central Committee, better suit the socialist economy of our country and can better ensure that our economy will develop in the direction of socialism. This is a basic principle that we must uphold from now on.

In his report on government work, Comrade Zhao Ziyang gave good play to this important principle laid down in the "resolution." He divided enterprises and products into four types and put forward four different management methods as well. The first type comprises the key enterprises which are of vital importance to the national economy and the major products indispensable



to the people's livelihood, and production of this type of product should follow the state's instructive plans; the second type comprises a large variety of small commodities, the production of which is scattered among many small enterprises and individual workers. For this type, production may take place according to market trends and within the limits allowed by the state plan. Between these two types, there are another two types of enterprises and products. For one of the two types, the major part of the production should be carried out according to the state plan while a small part can be organized by enterprises themselves; for the other type, the major part of the production is to be organized by enterprises in accordance with market trends while a small part should be carried out according to the state plan. The products mentioned here cover not only industrial products, but also agricultural products. For agricultural products, planned production should also play the principal role while free production may play an auxiliary role. Of course, the classification put forward by Comrade Zhao Ziyang needs to be elaborated if we are to apply it to practical work. For instance, what kinds of enterprises are key enterprises of vital importance to the national economy; what kinds of products are indispensable to the people's livelihood and what kinds of products are small commodities; how do we ensure that production carried out according to market trends will not exceed the scope allowed by the state plan, and so on.

Comrade Zhao Ziyang has said that the above-mentioned management system differs "both from our past system, which was overcentralized, and from the market economy of the capitalist society. It enables us to combine centralized and unified leadership by the state with an enterprise's initiative, really succeed in bringing about an economy which is kept under control without being irresponsible, which is brisk without being confused. Thus we may raise economic efficiency and organize and develop production according to the needs of society." In the past, we tried to put everything under state planning. As a result, on the one hand, our planning lost its scientific nature because we attempted to do the impossible and our economy was very irresponsible. On the other hand, things which could have been done were not done well, with the result that the national economy was only semiplanned most of the time. Why did our national economy become disproportional more than once? Although errors in policymaking were the main reasons, we must realize that overcentralization of our planning and management system was also a direct cause.

We must get rid of this cause of economic ills while reforming our system. But the purpose in getting rid of this cause is to strengthen the planned economy, rather than weaken it. Some comrades have criticized the view that only mandatory targets assigned by the state are of a socialist planned economic nature. Therefore, these comrades have advocated abolishing mandatory plans. It is necessary to make an analysis of how correct this criticism is. It does not seem wrong to regard mandatory plans as the basic characteristic marking the socialist planned economy. A planned economy means nothing other than a national economy consciously managed by society according to plans set down beforehand. This kind of economy is bound to appear in order to meet the objective demands of a society in which all the means of production have reverted to the entire society's ownership and in

which labor is joint labor within the scope of the entire society. Under these conditions, the society (represented by the state or economic centers) is the owner of all the production units, which should carry out production and management according to a unified plan drawn up by society. Does our country have conditions for realizing a planned economy? Yes. Management by the state of the enterprises which are of vital importance to the national economy, control by the state of the products indispensable to the people's livelihood and mandatory plans imposed on this part of production, which takes up most of our total industrial and agricultural output value, prove that our economy is basically a planned economy. Abolishing mandatory plans can at best coordinate, only to a certain degree, the production and activities of various enterprises as the capitalist countries do by their planning. This kind of "planning" cannot prevent the production of society from falling into a state of anarchy and therefore is by its nature totally different from our planned economy.

In order to ensure harmonious development of the national economy, it is necessary to make planning more scientific. The socialist economy can develop according to plan and must develop according to plan. But this is possible only if there are plans elaborated by the state which satisfy the demands of objective laws. Therefore, working out state plans on a scientific basis is an important condition for the development of the socialist economy. What about our past planning? We cannot say that it satisfied none of the demands of objective laws; neither can we say that it satisfied all the demands of objective laws. As a matter of fact, fairly often it did not satisfy many demands of objective laws. Without highly scientific planning, it is quite unlikely that we can ensure that the two production sectors of society and the various national economic sectors will be in good proportion to each other, and it is quite unlikely that the economy will develop without a hitch. In cases where plans depart greatly from scientific criteria, they cannot be implemented and therefore come to nothing. Since the 3d Plenary Session of the 11th CCP Central Committee, just like what has happened in the whole national economy, we have greatly cultivated a realistic style of work in our planning work and the planning methods have also improved greatly. In future, we must keep working in this way so as to strengthen the planned economy and better bring into play the superiority of the socialist economy. Some comrades have confused planning work with the planned economy, doubted the superiority of the planned economy for finding errors in our past planning work, and some others have even denied the value of the planned economy. These views are wrong.

CSO: 4004/29

## INTRODUCING 'A STUDY OF PROBLEMS IN CHINA'S SOCIALIST ECONOMY'

Beijing RED FLAG in Chinese No 6, 16 Mar 82 pp 37-39, 44

[Book review by Su Xing [5685 2502]]

[Text] Comrade Xue Muqiao's book "A Study of Problems in China's Socialist Economy" probes into the economic laws of socialism and is based on the actual conditions of socialist construction in our country. Because I and several comrades took part in the discussions and revisions on the original manuscript, we wish here to introduce the book briefly to our readers.

### I. Probing Into the Economic Laws of Socialism Through Summarizing Past Experiences

Comrade Xue Muqiao is an economist who has spent many years on practical economic work and who has engaged in rather extensive research on economic theories. In the preface to the book "A Study of Problems in China's Socialist Economy," he told why he abandoned his plan to write a textbook and wrote this book instead. He gave two reasons for doing so: 1) The development of the socialist economy of our country has not yet reached the mature stage and an integrated theoretical system is difficult to create. 2) He has had more than 30 years of practical work in economics and had gained some understanding. He wished to make use of his later years to point out several problems in the actual practice of socialist economic construction which he thought should be immediately explored and solved in order to serve as references for theoretical workers and practical workers in the field of economics. These are precisely his book's special and superior points. It also explains why, although this book lacks an organized or close-knit theoretical system or background, it is well liked by all theoretical workers and practical workers in economics, including some foreign readers abroad.

In the history of mankind, a socialist society is a new social system. After making an analysis of the capitalist system by means of dialectical materialism and historical materialism and taking into account the direction of development of society following the collapse of capitalism, Marx and Engels foresaw a basic trend for the development of a socialist society. However, because there were no socialist countries in existence in their time, we cannot and should not, expect them to offer any systematic dissertation on

the economic laws of socialism. Lenin led Russia's working class and other working people to establish the world's first socialist republic. It was through them that millions of people began practicing socialism. Soon after the victory of the October Revolution, Lenin pointed out: "So far as Russia is concerned, the time has passed for the academic discussion of the principles of socialism. I firmly believe that it will never return. Today is the opportune time to talk about socialism on the basis of experience." ("Collected Works of Lenin," Vol 27, p 480) In my understanding, discussing socialism on the basis of experience should include the exploration of the contents of the economic laws of socialism by means of summarizing past experiences. In this connection, Lenin himself set an example. Take, for example, the questions of commodities and money: Marx and Engels predicted that under socialism, commodities and money would not exist. Yet after the October Revolution, Lenin never advocated the immediate abolition of commodities and money. During the period of wartime communism, there was an attempt to probe into avenues of socialist production and distribution which excluded the circulation of commodities, but this exploration was soon given up and "state capitalism was changed into state-regulated commerce and currency circulation." ("Collected Works of Lenin," Vol 33, p 73) This represented a big evolution both in theory and in practice. It was a breakthrough in what had been foreseen by Marx and Engels. In fact, a new understanding was thus derived from the actual practice of socialism in Russia. This was that during the course of socialist construction, commodities and currency must necessarily be retained and commerce must also be retained. This represented one of Lenin's important contributions to Marxist political economics.

Despite the short length of time of socialist construction in our country, valuable experiences have been gained. Comrade Mao Zedong's economic publications, Comrade Chen Yun's economic writings, and Comrade Zhao Ziyang's 10 guidelines on economic construction which he advocated in the government work report made at the 4th Session of the 5th NPC were all produced on the basis of the summarization of experiences in economic construction in our country. They reflected from various angles the nature of socialist economic laws.

In summarizing experiences, we should summarize both their positive and negative sides. Generally speaking, if mankind's actions conform with objective laws and ultimately meet with success, then they are said to be positive experiences. On the contrary, if mankind's actions violate objective laws and end in failure, then the experiences gained can be said to be negative. When talking to some Soviet economists in February 1952, Stalin mentioned the view that, generally speaking, the working of all these laws could be perceived only when they were violated, and when they were violated, harm could not be avoided. Here, Stalin was emphasizing the negative experiences and overlooking the positive ones. As a matter of fact, when mankind's actions conform with the objective laws, the working of the laws can similarly be observed. This book is replete with instances of this kind. Such examples as the stabilization of commodity prices and the socialist conversion of the system of private ownership of the means of production in the 1950's and the economic readjustment of the national economy in the 1960's all conformed with economic laws and were positive experiences.

Does this mean that economic laws can be discovered merely by summarizing experiences? Not exactly. Laws are the essence of phenomena. They are "something solidified (preserved) in phenomena." ("Collected Works of Lenin," Vol 38, p 158) They cannot be discovered easily. We must go through practice and understanding, further practice and further understanding, and repeat this process many times, so that perceptual knowledge is upgraded to rational knowledge, in order to discover the essence of things and their inner relationships.

## II. Proceeding From Reality, Pay Special Attention To Studying How Economic Laws Operate Under China's Historical Conditions

Chapter one of this book is entitled "Socialist Revolution and Socialist Construction in Our Country." Originally, there was no such chapter and chapter one comprised the present concluding observations. However, the author felt that the structure of this book should be based on actual conditions and not merely on laws. Hence, he rewrote this chapter and made it chapter one. This shows another feature of this book, namely, that it proceeds from reality and pays attention to the study of how economic laws operate under China's historical conditions.

At the time of the revolutionary war, Comrade Mao Zedong remarked that in order to win the war, not only should the laws governing wars in general be studied, but the laws governing special revolutionary wars and, in particular, the laws governing China's special revolutionary war should be studied. Just as in studying the laws governing wars, in attempting now to build a modern and powerful socialist country, we must study not only economic laws in general, but also special socialist economic laws, and, in particular, special socialist economic laws as manifested under China's historical conditions.

Take, for example, the law of production relationships conforming with the nature of the productive forces. This is a common economic law applicable to various production forms. It operates differently in different production forms. In analyzing the contradiction between production relationships and the productive forces under capitalism, Marx pointed out that owing to the socialization of production, the system of private ownership of the means of production must of necessity be replaced by the system of public ownership. As for how this replacement is brought about, this differs in different countries. For example, in the Soviet Union, the means of production owned by the capitalist class were confiscated by the state. We confiscated a portion of these means of production (those owned by bureaucratic capital) and purchased a portion (those owned by the national bourgeoisie). As for the cooperativization of the means of production owned by the peasants, our method and procedure also differed substantially from those of the Soviet Union. It seems that we have done slightly better in this regard. As a result, the recovery and development of our industry was relatively faster, while in agriculture we not only did not suffer any large decrease in production but production actually increased. Unfortunately, just because of this comparatively successful accomplishment, we became careless after 1958, when we lopsidedly exaggerated the role played

by the change in the ownership system in the development of the productive forces. We stirred up "communist wind" and became "prone to boasting and exaggeration." Instead of developing the productive forces, we damaged them.

In chapter one of this book, the author makes an analysis of the special conditions for socialist revolution in our country. He wrote: "Originally in our country small producers commanded absolute superiority. Agricultural production relied principally on manual labor and retained a semiself-contained character. For this reason, the development of our socialist economy must be based on actual conditions. We must skillfully combine principle and flexibility. We should not be bound by existing conclusions or adopt in wholesale fashion the patterns already shaped by Marx, Engels, Lenin or Stalin." This point has an important bearing on understanding the nature of the society in our country at present. We cannot take as our pattern what Marx conceived of socialism in his "Critique of the Gotha Program" and take for granted that any form at variance with this pattern cannot be considered a socialist society. For some time to come in our country, varying economic forms will continue to exist, but since the public ownership system has already become the principal system of ownership of the means of production, this type of society should be classified as a socialist society. In the "postscript," the author states: "Historically, since primitive society there has never existed a social structure which has a so-called pure and unadulterated composition.... Up to the present, even in the highly developed capitalist countries, a large number of small producers still exist. People do not refute their capitalist status on account of their 'impure' composition. Why must socialist countries be 'pure' and 'double pure'?" What he said was reasonable.

### III. Progress While Exploring

In the "final notes" of this book, the author introduces two different views by certain comrades concerning the time of the book's publication. One view is as follows: Since the discussions began on practice being the sole criterion for determining truth, in the theoretical field many new problems have arisen. Comrades engaged in economic work are still discussing the problems of readjusting the national economic and restructuring the economic management system. A hundred schools of thought presently contend. Many problems have not yet been resolved. It would be best to wait a while and watch for the conclusion of the discussions before making the manuscript final. The other viewpoint is this: The discussions on theory and practice will last for a long time and restructuring cannot be accomplished within 1 or 2 years. Why not take part in the discussions as "one school of thought"? Certain errors cannot be avoided but greater service can still be rendered to actual work. Following deliberations, the author decided in favor of the latter view. The attitude that the author assumed was down to earth. This is first because socialism, as a new social system, has not yet attained maturity. We cannot expect a mature volume to be written on a still immature system. Second, this is because we are still acquiring an understanding of the economic laws of socialism. Apart from us, other socialist countries are still acquiring such an understanding. It is impossible to expect every viewpoint to be comprehensive and correct. While exploring, mistakes are

unavoidable. That we are still able to discover mistakes shows that we have made progress in understanding. There is nothing wrong in this.

This book contains theoretical viewpoints of an exploratory nature. They are what the author himself calls viewpoints "belonging to one school of thought." For example, the idea that the productive forces should in part belong to the individual occupies a rather prominent position throughout the volume. Some comrades agree with this view, some do not. His analysis of the reasons for the existence of commodities in a socialist society is agreed with by some people but disagreed with by other people. The author refuted the idea that renminbi could take the place of gold. He advocated that the standard for measuring the value of money should not be the price of one commodity such as gold but rather the composite price of a number of products (composite price index). He thought that this should be the new development of the currency system, but some people disagreed. Concerning these problems, the author stated the following in the "postscript" to his book: "For many years opinions on some theoretical problems (such as whether the productive forces should in part belong to individual laborers and whether the renminbi should take the place of gold) have differed among the academic circles in our country and abroad. On these problems I maintain my original views. But I am willing to follow the principle of letting a hundred schools of thought contend and to continue the discussions with comrades in the academic circles." Hence, when learning from this book we must also have an exploratory spirit. The existence of disparity in scholastic viewpoints does not hamper our understanding of the socialist economic laws. On the contrary, the controversies between divergent viewpoints can possibly enable our understanding to approach the truth more rapidly.

The book was published more than 2 years ago. Looking at it in the spirit of the 6th Plenary Session of the 11th CCP Central Committee, it seems that there is nothing wrong with its basic direction. However, there are certain defects and deficiencies and the presentation on certain problems was not comprehensive enough. Accordingly, last year the author wrote a "postscript" which touched on three problems. The first problem concerned the concrete forms of socialist production relations. On the basis of the spirit of the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC," he discussed the concrete forms of the production relations at the present stage in our country. He also made certain revisions and supplements with regard to the following two topics:

One topic was the agricultural production responsibility system. The original text touched on this topic rather casually, and on the question of assigning farm output quotas to each household it appeared to have been somewhat restricted by the viewpoints that had been in circulation in the last few years. The "postscript" made a rather clear presentation of the various forms of the agricultural production responsibility system. The other topic was the alteration of a former viewpoint which had emphasized that development of the collective ownership system must follow the procedure of a transition from ownership by the production team to ownership by the production brigade, and then to ownership by the people's commune. It was

clearly pointed out that in some cases the development of the collective ownership system in the countryside could take the transitional procedure of going from small collectives to large collectives, but that in other cases this procedure need not be followed and that various new combination forms may be adopted. The second problem related to planned economy and market regulation. The reason why in the "postscript" the author took pains to dwell on this problem was that, for a period of time, in academic circles the discussion of combined planned regulation and market regulation was rather prevalent. (In this book the author himself refers frequently to this topic.) But this presentation is not exactly correct, because it places planning and market regulation in opposition to each other. The "resolution" did not put it this way. What it stated was: "The planned economy must be implemented on the basis of the public ownership system; at the same time the supplementary role of market regulation must be brought into full play." This version first of all affirms that the socialist economy is a planned economy and at the same time brings into full play the supplementary role of market regulation. It is more correct and conforms with China's realities. The third problem touches on readjustment and restructuring. Efforts are made in this to alleviate certain skepticism expressed abroad (and within the country) concerning the readjustment of the national economy in our country. In reading this book the readers, if interested, should also read this "postscript."

CSO: 4004/29



## WHAT IS MEANT BY SMUGGLING AND WHY IS IT NECESSARY TO CRACK DOWN ON SMUGGLING?

Beijing RED FLAG in Chinese No 6, 16 Mar 82 pp 40-41

[Article by Xi Wen [0823 5113] in "Question and Answer" column]

[Text] Answer: Smuggling is an illegal economic activity. It generally refers to the act of violating the stipulated laws of the state and illegally transporting goods for import or export. Since the appearance of international trade in the world and the imposition of restrictions on such trade, smuggling has become a universal phenomenon in various countries and regions. Smuggling is not allowed by any sovereign state. Ours is a socialist country. Smuggling is all the more not allowed. The "tentative customs laws of the People's Republic of China" and the "penal code of the PRC" clearly say that smuggling is an illegal act of upsetting socialist economic order and impairing state interests. Smuggling in serious cases is an offense according to criminal law. According to these prescribed laws, all such activities as illegally transporting, carrying or mailing goods, silver and gold, currency, bills, negotiable securities and other commodities across the border in violation of state regulations governing foreign trade, imports and exports and customs duties are in the category of smuggling--activities prompted by attempts to escape customs inspection, illegal foreign exchange trading, and evasion of customs duties. Those who engage in smuggling and illegal trading are subjected to economic sanctions and are even punishable in accordance with criminal law.

For a socialist country like ours which lacks a high level of economic development, cracking down on smuggling is of especially great significance. At present, the prices of certain consumer goods in our country, such as wristwatches, radio-tape recorders, television sets, chemical fiber products, and so forth are much higher than those abroad. Meanwhile, the prices of gold and silver, jewels, rare medicinal herbs, cultural relics and curios are much lower than those abroad. These price differences constitute a great economic stimulation to smuggling. Since the founding of the state, smuggling has waxed and waned and has sometimes reached quite serious proportions. In the past few years, our country has carried out an open-door policy. This helps to attract foreign capital, equipment and technology and accelerates the readjustment of the national economy and socialist modernization. In the future, we must persist in carrying out this policy. Meanwhile, the international bourgeoisie and the smuggling rings based in Hong

Kong, Macao and other areas have also seized this opportunity to exploit any loophole that has appeared in certain aspects of our controls. They have acted in collusion with lawbreakers at home and practiced smuggling in a big way. Certain people of some enterprises, undertakings serving the people, organs, public bodies and rural communes and brigades in our country, including an extremely small number of leading cadres, have thrown party discipline and state laws to the winds, and relied on their authority and on state and collective funds to carry out smuggling and illegal trading. They have promoted bourgeois liberalization in the economic area. This upsurge in smuggling and illegal trading has done harm to the state and society in many respects. Smugglers have violated our regulations governing foreign trade and imports and exports and have secretly brought in large supplies of consumer goods not needed as imports by the state, including second-grade and slipshod goods and imitations. On the other hand, they have smuggled out the state's valuable products and rare commodities in large quantities, or have engaged in illegal foreign exchange trading. They have thus avoided paying large sums in customs duties and industrial and commercial taxes. This has resulted in tremendous economic losses to the state. Smuggling has interfered with our industrial and agricultural production and hampered the development of our relevant national industries. Smuggling and illegal trading have given rise to many other illegal and criminal activities and disrupted peace and social order. In a small number of coastal areas where smuggling is rampant, the number of cases of gambling, robbery, theft, fraud, bribery, fighting, beating, murder, and so forth have risen sharply. Smuggling has had a corrosive effect on the cadres and the masses and has corrupted social morals. Driven by a desire for exorbitant profits, some people have fallen prey to bourgeois sugar-coated bullets and stepped on the criminal path. There are still more people who have illegally bought smuggled goods as bargain hunters.

From this, it can be seen that smuggling and illegal trading are downright criminal activities that are the scourge of the country and the curse of the people. The struggle between smuggling and antismuggling forces is one between bourgeois corrosive and socialist anticorrosive forces. This struggle is not only a serious economic struggle but also a serious political struggle. Our country follows an open-door policy in a long-term guideline that cannot be changed. But we must guard against attendant negative influences. We must take note that though the exploiting class in our country has been eliminated, its influence has still not been eliminated. The international bourgeoisie is invading and corrupting our revolutionary ranks in the political, economic, ideological and other areas. Under this situation, if we cannot keep a clear head and take a firm stand in consciously resisting such intruding and corrosive forces and waging a resolute struggle against smuggling, illegal trading and other crimes in the economic field, this will be an open invitation to the dumping of commercial goods by the capitalist world. This will weaken the revolutionary will of our ranks, disrupt the political situation of stability and unity in our country and affect the consolidation of the socialist system.

Cracking down on smuggling, illegal trading and other criminal activities in the economic field is one of the central problems that the party is

determined to tackle with intensified efforts this year. This also represents an important measure to achieve a decisive change for the better in the party's style and the social style this year. We must have thorough understanding of the serious harm which smuggling and illegal trading present to the party and the state, and persevere in fighting these criminal activities, in order to better implement the open-door guideline in the economic area and ensure the smooth progress of economic readjustment and modernization.

CSO: 4004/29

## CADRES SHOULD BE TESTED ON THEIR THEORETICAL STUDY

Beijing RED FLAG in Chinese No 6, 16 Mar 82 p 41

[Selected letters from readers]

[Text] Theoretical study by cadres has been gradually stepped up since the 3d Plenary Session of the 11th CCP Central Committee. Considerable achievements have been made in this study as the units and individuals that have made good results in their study have continued to increase in number. But the progress is unbalanced; some units have let theoretical study drift, and they think that it makes no difference whether anyone studies or not and whether there are many or few people who take part in the study. Some other units that formulated plans for this study have taken a perfunctory attitude and consequently made no achievements. They considered such study as an important matter when they were mobilizing cadres to take part in the study, but they did not make proper arrangements and reduced the importance of the study in their actual work.

I think that to change this situation, it is necessary to step up education on the importance of this study, and what is more important is to establish an examination system for theoretical study. It is necessary to proceed from specific conditions and define the contents and requirements in the study and formulate related rules and regulations and a system. Like cultural and technical study, the achievements in theoretical study must also be considered as a criterion for testing, appraising, promoting and selecting good cadres. Study achievements must be appraised according to reality, and it is necessary to stress the importance of linking theory with practice and not just repeating statements. It is also imperative to produce research materials to enhance the study.

(Jia Jiajin [6328 1367 3866] of the Guangxi Zhuang Autonomous Region branch of the Agricultural Bank of China)

I suggest setting up an examination system for cadres' theoretical study, that advanced units and individuals be awarded, and that the attitude that it makes no difference whether to study or not and whether there are many or few people taking part in the study be changed. Following completion in the study of each subject or in a certain stage of the study, it is imperative for the higher management departments concerned to carry out

examinations, with topics unifiedly defined and examination papers unifiedly checked. The results of examinations must be announced and included in the cadres' records. Those who have completed their study with good results must be awarded and given certificates and their study taken into account. Those who fail to meet the requirements must continue their study, and they will be permitted to move on to study the next subject only after they have met the requirements. The examinations must be based on high standards and strict demands; there should not be a perfunctory approach to them.

The cadres' theoretical study must be combined with their appointments, and their promotions must be based on the results of their study. All leading departments concerned must every year conscientiously check on the study of their cadres. In appointing cadres, these departments must regard the study of their cadres as an important content for deciding whether the cadres are competent. Those with excellent study results must be promoted.

(Li Guoyan [2621 0948 2513] of the Propaganda Department of Tangshan Prefectural CCP Committee, Hebei Province)

By the end of 1981, the Propaganda Department of the Yiyang Prefectural CCP Committee, Hunan Province, and various propaganda departments of the party committees and municipal party committees under the prefectural party committee conducted an examination of all their cadres on the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC." The examinations won active support from the leadership at various levels and the broad masses of cadres. They considered the examinations as a good opportunity for testing and improving their theoretical standard. With enthusiasm, they took the examinations and there were many moving deeds.

We found through the examinations that cadres' theoretical study must be carried out in a planned way and that it is necessary to give cadres coaching and establish an examination system. In fact, such measures are not new. During the early 1950's, there existed a complete examination system for cadres' theoretical study, but it was later misunderstood as "stressing application" and it was spoiled by Lin Biao and the "gang of four." Consequently, this effective method was abandoned. Also in the past we worked on planning for cadres' theoretical study. Much coaching was given and many reference materials were printed, and yet cadres were not enthusiastic about study. There even appeared a situation of letting the study drift. All this also contributed to the abolishing of the examination system. We hold that examination is an indispensable link in this study because it not only checks the results of study but promotes it. Recently, we conscientiously summed up the experiences and lessons in giving examinations and we have decided to continue the examination system and work to perfect it.

(Chen Daoyue [3088 6670 1471] of the Propaganda Department of Yiyang Prefecture Party Committee, Hunan Province)

A NEW DISCOVERY IN SUBJECT MATTER FOR FILM PRODUCTION

Beijing RED FLAG in Chinese No 6, 16 Mar 82 pp 42-44

[Article by Chen Bo [7115 2330]]

[Text] The film "The Herdsman" has been much talked about recently by many people on the ideological front, particularly film, literary and news circles. They have praised it as a good film. Why does this film have such extraordinary artistic power as to be warmly welcomed by the people and to draw their praise? It is because, with realistic images, this film is able to grip the vast movie-going public. With poignant artistic scenes, the film vividly summarizes and portrays the conflict and contradictions of two different destinies, two different prospects, and two different ethical ideologies and world outlooks.

Xu Lingjun, the protagonist of the film, is an intellectual who was wrongly labeled a rightist. He is a primary school teacher on the grassland. His father, Xu Jingyou, the chairman of a big company, returns home from abroad and asks Xu Lingjun to follow him by entering the family's bourgeois business abroad, but he resolutely turns down the offer. Xu Lingjun is able to do so because he has linked his personal destiny and future with the destiny and prospects of his motherland. Consequently, his socialist ideology of loving his motherland overcomes his father's capitalist ideology of wanting his son to "follow in his footsteps" and to engage in an adventurous career by severing his fate and future from that of the motherland. The struggle between the two different destinies and prospects and the ideological struggle are the theme of the film.

Following is some of the dialogue between the father and the son in a Beijing hotel:

Father: "The San Francisco Chemical Company in the United States is my kingdom. People abroad are seeking personal fame and they engage in competition."

Son: "Dad, you've your own feelings about fame. Maybe because I'm used to collective life that I value the fame of our country."

Father: "Do you herdsmen usually read Marxist books?"

Son: "These kinds of books are printed in great number in China, so we have the chance to read them."

Father: "Now people in Western countries are also studying Marxism, even more than in China."

Son: "That is right, but they are studying from books and we in China--Dad, please don't talk about it!"

A moment later the father says: "What are you thinking about? The policies of the Communist Party can easily change. Now it is easy to get an exit visa, but it is hard to tell what it be like in the future." "Why is it so difficult for you to leave? You've suffered enough for 20 years."

This suffering refers to Xu Lingjun's being wrongly labeled as a rightist and sent to the grassland to be "reeducated through labor." Xu Jingyou thought that his words would hit the open wounds of his son's soul and so he continued his attack, saying: "I want to raise you up and restore your value as a man! I want to establish your belief! I...." He wanted to win over his son by projecting on him his own bourgeois personality and capturing him by using his own bourgeois ideology.

As for Xu Lingjun, he understands through his life experiences that the true current, true progress and true beauty of his life all come from his motherland. He found such feelings and belief from the laboring herdsmen on the grassland. Among these laboring people are Uncle Dong Kuan and his wife, who treated him as if he were their son, and Guo Pianzi and his wife, who took care of him as if they were his brother- and sister-in-law. This is a new moral principle which could only have been derived in a socialist country, and the laboring people's concern and love for an intellectual could only have developed in a socialist country. This situation is beyond the comprehension of Xu Lingjun's capitalist father. In particular, the film recalls Xu Lingjun's act of "marrying first and later falling in love" to vividly expound a new moral principle. A famine-stricken girl, Li Xiuzhi, fled Sichuan Province and came to Xu Lingjun's house. She could not have foreseen that Xu would respect and care so much about her. Extremely moved, she pinned her trust, hopes and happiness on him. This part of the story is unfolded exquisitely and thrillingly to present to the audience Xu Lingjun and Li Xiuzhi, who were strangers to each other and who in the tortuous path of the progress of their motherland met with misfortune, which only added luster to their lofty morality and beautiful souls. On such a foundation, they grew to know and love one another even more deeply after they were married. When they were married, their neighbors came to congratulate them. The herdsmen happily helped them and gave them cloth and grain coupons without leaving their names. Such a natural expression of the lofty morality of the laboring people vividly demonstrates the new socialist morality and ethics. This situation is in sharp contrast to the ethical standard of selfishness of the millionaire Xu Jingyou. After they were married, their life of labor and love continued to grow; they enjoyed happiness together with the laboring people, and they linked the fate of their family and lovely son with the prospects of their motherland. This situation is beyond

the comprehension of Xu Jingyou and his female secretary. The secretary was staggered to learn that Xu Lingjun had married first and then fallen in love, and that following the redressing of his case, he was willing to spread culture by working as a primary school teacher. She came to realize that he was a man with resolute, firm and calm character. She thought that should Xu Lingjun become the successor of Xu Jingyou, he would be able to win fame for his father, the chairman. Consequently, she urged the chairman to grasp well his "investment in talent." She considered the great socialist motherland from a wrong angle; her understanding of Xu Lingjun, who had been nurtured by the motherland, was also wrong. The film skillfully uses flashbacks to express the answers given by Xu Lingjun through his interesting discussion with his wife on the grassland. What Xu Lingjun had in mind was expressed through the words of his wife, Li Xiuzhi:

Xu Lingjun: "Why? You think I can't leave you, don't you?"

Li Xiuzhi: "I've no such thought. I know that you would hate to leave the children in the school, the countryfolk, and Uncles Guo Pianzi and Dong. You would also hate to leave that (pointing to a national map on the wall).... Well, you can put it in your pocket and take it along, but it's only paper. You can't carry Qilian Mountain, nor can you carry the grassland."

Such is the socialist morality of Xu Lingjun and Li Xiuzhi, and it is a vivid display of their true souls. The screenwriters and producers of the film used such vivid language to counter the intention of the chairman and his secretary of "investing in talent" and their ethical concept of "the son following in his father's footsteps." Xu Lingjun said to his father: "Men do not live just to enjoy material life"; "Our motherland is now taking the correct road and I'm willing to climb this slope together with the people." Failing to understand his son, the father asks: "Is there such a strong attractive force?" He answers with deep feelings: "You can't but share the excitement of the people who witnessed their country rising above the blood and turbulence!" These are not only the words of Xu Lingjun; they represent the feelings of the broad masses of people.

The bourgeois mode of life is nothing but the pursuit of money, and their morality is to make profit and harbor egoism. According to the bourgeoisie, men are always selfish; others are eliminated in competition and exploited, and it is justifiable to enjoy happiness from the miseries of others. This is the ethical principle of Xu Jingyou and his like. The moral principle represented by Xu Lingjun and Li Xiuzhi includes ardent love for the motherland and socialism, sacrificing themselves for the interest of the people, and their true love and support of each other. Last year the film "House Full of Happiness" opened up a new world of ethical subject matter for film production, while this year the film "The Herdsman" resulted in a new development in this direction; the film production situation is very encouraging. To advocate new socialist moral principles and develop creative works around this theme are very important tasks for building socialist spiritual civilization, and such works have a wide range of content. We must continue to create artistic works and make further progress!



Some people hold that in the film "The Herdsman" the thinking and deeds of Xu Lingjun have been glossed over and beautified and the description has been "idealized." Therefore, the film is not realistic. By "reality" these people mean that Xu Lingjun must go to the United States with his father, who once abandoned him to enter business and become a capitalist. Of course, we must understand that following the implementation of the open-door policy, some people who are not resolute will yearn for the bourgeois way of life because of the penetration and influence of capitalist ideology. But can we consequently say that the man like Xu Lingjun is not true to life? No, that is not so. In fact, there are people who were wrongly labeled as rightists during the broad antirightist campaign and persecuted during the 10 chaotic years, but who have refused the invitations of foreigners to teach abroad; there are people who were teachers and artists in other countries but refused to stay abroad even though they were offered jobs with high salaries. Some Overseas Chinese with particular knowledge have returned to China to live a hard life in order to contribute their specialized knowledge to their motherland. A girl from the rural areas was asked to stay abroad and was offered a high salary when she was visiting the United States to demonstrate drawn-work handicraft techniques, but she refused. A chef from China who gave demonstrations in the United States was asked to stay there with a monthly salary as high as several thousands of U.S. dollars, but he refused. Some of our scientific and research personnel who are studying abroad have won high prestige through their own creations and inventions, and consequently foreign universities have vied with each other to win them over by offering them positions as professor, but they said that their careers are in their motherland. All this happened recently. Generally speaking, they are not just individual examples, but are representative of the true nature of our life. In the film, Xu Lingjun is a typical character that has been concentrated, extracted and created by writers and artists from the current reality and the masses. How can we say that the film glosses over reality? How can we say that the character is "not true to life"? Comrades who put forth such opinions have either departed from reality or do not really understand the revolutionary and realistic creative method of culture and literature.

If we say that there are some shortcomings in the film, we must say that these shortcomings lie in the fact that Xu Lingjun's ardent love for herds-men, horses and the grassland, his great ideal of building the grassland and his lofty moral spirit are not fully presented. Artistically speaking, the description of revolutionary romanticism such as depicting many scenes of the vast grassland and of galloping horses and the description of Xu Lingjun's ardent love for and great ideal of building the grassland are not enough. The reconciliation between Xu Lingjun and his wife would be depicted more profoundly and movingly if this scene were changed from Xu Lingjun's giving his savings to Li Xiuzhi to cover her travel expenses and seeing her off to his returning home to find her there. Such a scene would serve to depict the change in the feelings of the couple. The film uses narration to interweave flashbacks with subjective monologues and reality, and this is no doubt a probe into a new method of film production and, therefore, merits trying. But some scenes are difficult for the audience to follow.

"The Herdsman" was shown in Beijing in the spring of 1982, and we warmly welcome it. With this film taking the lead, we believe that our film production will be able to meet the expectations of the party and the people and "persist in the method of 'one divides into two' and make further progress" so that more good films will be produced.

CSO: 4004/29

## ANALYSIS OF THE SOCIAL WELFARE SYSTEM IN DEVELOPED CAPITALIST COUNTRIES

Beijing RED FLAG in Chinese No 6, 16 Mar 82 pp 45-48

[Article by Yao Tinggang [1202 1694 4854]]

[Text] After the great crisis of 1929-1933, which shocked the capitalist system, and especially after the end of World War II, the monopoly capitalist class in capitalist countries embarked on a social welfare system. This system can generally be divided into two parts--social security programs and welfare subsidies. Under the social security programs, it is compulsory for all employed workers to contribute a part of their income regularly to pay their insurance premiums (or social security taxes), which in turn forms the basis for social security funds. Social security includes insurance against old age, unemployment, disability, industrial injury and medical expenses. Under old-age insurance, the insured can retire upon reaching retirement age and can receive pensions if they had paid premiums for a given period. Under unemployment insurance, the insured can apply for their unemployment allowances for a period of half a year or 1 year. After this period, if they are still jobless, they can apply for welfare subsidies. Under disability insurance, insured workers can draw disability or disability allowances if they fall ill or become disabled. They can receive allowances until they recover or die. Under industrial injury insurance, compensation is available to insured workers or their families upon their death if they are the victims of industrial accidents or if they suffer occupational diseases. Under health insurance, insured workers can receive reimbursement of part or all of their medical expenses. In general, welfare subsidies come under government appropriations, and can be considered as a kind of social relief. They are mainly: 1) allowances for people who lose their source of income because of old age, disease and disability or people who are old, weak, sick or disabled and live below the minimum standard of living although they might receive retirement pensions; 2) family allowances, which help low income families to bring up children; 3) rent allowances, which supply low-income people with subsidies or loans to pay their rents; 4) other items, such as student allowances, food allowances, lying-in women allowances, and so on.

The welfare and treatment of working people in the major capitalist countries have truly been improved since World War II, but does this mean that the exploitative nature of capitalism has changed and that the proletariat is no

longer exploited? To examine this issue, we must take the Marxist viewpoint to analyze and arrive at an answer.

1. When adopting widespread social welfare policies, the monopoly capitalist class does not proceed from a sense of benevolence, but aims at mitigating class contradictions and consolidating its rule.

In 1929-1933, an unprecedentedly severe economic crisis occurred throughout the capitalist world, and it shook the capitalist system to its very foundation. Widespread unemployment and the resulting poverty caused by the crisis drastically sharpened the class contradictions in capitalist countries. Working people rose up to fight against capitalism everywhere. The revolutionary movement was then on the upsurge. In order to mitigate the class contradictions and to save the precarious rule of the monopoly capitalist class, the theory of the welfare state based on welfare economics and Keynesism emerged. This theory held that capitalist states should adopt suitable tax policies, redistribute national income, and implement social welfare policies, including social security and unemployment allowances, so as to promote economic prosperity. Under the stress of circumstances and the pressure of the working people's struggle, the monopoly capitalist class could not but adopt these measures and embark on social welfare policies.

After the end of World War II, new conditions arose. First, the proletariat in capitalist countries were further awakened and waged political and economic struggles on a magnificent scale. Awestruck by the growing strength of the proletariat, the monopoly capitalist class had to make some concessions and gradually expanded social welfare measures. Second, owing to the third scientific and technological revolution, productivity in developed capitalist countries was greatly improved in the 1950's and 1960's. This made it possible for the capitalist class to give better wages and welfare treatment to the working people, because the relative surplus value and exploitation rate were being raised. Third, great development was made by multinational corporations, which have subsidiaries all over the capitalist world. The profit rates of their investments in developing countries are much higher than those in their own developed countries. Thus the capitalist class of developed capitalist countries can rake in superprofits, and can give the workers in their own developed countries higher wages and better welfare.

2. Implementation of the social welfare system is necessary for the monopoly capitalist class to grab higher monopoly profits and to maintain its class interests.

Engels pointed out long ago, "The bourgeoisie can also pretend to be merciful, but only when it is necessary to maintain their own interests." ("Collected Works of Marx and Engels," Vol 2, p 568) When high surplus value is guaranteed, the monopoly capitalist class finds that it is necessary to expand social consumption, so that they can free themselves from the plight of production stagnation. When economic crises occur, by utilizing this social welfare system, which can function as an "automatic stabilizer of the economy," state monopoly capital can mitigate a crisis and shorten

the periods of crisis. The bourgeoisie also use all kinds of terms stipulated in the social security programs to fetter the workers, preventing them from taking part in strikes and political struggles. Through these tactics of drawing popular support, they can lull the fighting will of some of the workers and foster reformist and revisionist ideological trends in the worker ranks, so as to delay the emergence of revolutionary upsurge. Capitalist parties and politicians also use the improvement of the welfare system as one of their slogans in election campaigns in order to gain votes.

While implementing the social welfare system, the monopoly capitalist class tries its best to make this system bring more benefits to the higher income groups and to the exploiters. For example, there is a salary cutoff for the social security tax in the United States. As a result, low-income people find that their entire salaries are taxable, but for people in higher income groups, a part of their income is not taxable. In fact, this can be called "reverse progressive taxation." Besides, income from dividends, interest and rent are not necessarily taxable. People who have high incomes can also open "individual retirement accounts," by which they can save a large portion of their income from taxation and reserve this money for their retirement. Furthermore, government employees at all levels, especially congressmen, high-ranking officials, judges and career soldiers, enjoy a retirement system with excellent pay and other benefits. Even the famous American economist Milton Friedman could not but concede that the social welfare system in the United States "harms people in low-income groups and benefits people in middle- or high-income groups." Similar situations exist in other developed capitalist countries.

3. In developed capitalist countries, the social welfare expenditure is, in the end, a burden on the working people because of high tax rates and high prices.

In developed capitalist countries, working people in general pay their insurance premiums or social security taxes on a monthly basis, which guarantees their being entitled to certain benefits. Because of the expansion of social security coverage, the relaxation of insurance compensation conditions, the drastic increase in the amount of compensation due to inflation and poor management, the rates and amounts of premiums and insurance taxes have increased rapidly. In 1980, workers in the United States had to pay social insurance tax at a rate of 6.13 percent, as compared with the rate of 1 percent in 1937. The maximum taxable yearly income also rose from \$3,000 in 1937 to \$25,900 in 1980. The British national insurance program of 1979 stipulated that workers at the ordinary income level (weekly income from 19.5 to 135 pounds) should pay 6.5 percent of their income for insurance. In 1979, West German workers had to pay 9 percent of their wages for retirement insurance and another 5.65 percent for health insurance.

Of course, developed capitalist countries generally stipulate that both employers and workers should pay half of the various social insurance premiums. That part of the premium paid by employers seems to be paid by the bourgeoisie, but in fact it is also part of the value created by working people. Capitalists can always use such methods as forcing wages down or hiking prices up to shift these expenses onto the working people.

Expenditures on all kinds of social welfare benefits derive in part from the insurance premiums paid by employers and workers; the other part is derived from the state treasury. But the welfare subsidies and relief funds paid to people in the low-income and poverty categories are totally derived from the state treasury. This part appears to be given by the ruling class. In fact, capitalist states raise these funds by increasing taxes; in the final analysis, it is still the working people who bear this burden. In the United States, all kinds of taxes accounted for 31.2 percent of the workers' taxable wages in 1977. Sweden is famous for its comprehensive welfare system, but its tax rates are also terribly high. In 1980, a single, low-income Swedish worker with a yearly wage of \$15,000 had to pay one-third of his income in taxes; as for people whose yearly income is higher than \$15,000, one-half of their income has to go to pay taxes.

In spite of continuous increases in taxes and tax rates, revenues in the budgets of developed capitalist countries still cannot cover expenditures; huge deficits are a common phenomena. As a result, inflation is getting worse and worse, and commodity prices are becoming higher and higher. In fact, inflation and high prices are a kind of special taxation, by which, monopoly capitalist governments can further squeeze the working people.

It thus can be seen that, under the capitalist system, the social welfare funds are part of the labor force value created by workers in their necessary laboring hours. These funds are a part of the value of the means of subsistence, on which the worker can only maintain himself and his family at the basic standard of living. The only difference is that in the past these funds were managed by the workers themselves, but now a larger and larger portion of them is paid by monopoly capitalists in the form of welfare funds and fall under the unified control and management by the state machinery of state monopoly capital.

4. Although working people in developed capitalist countries have enjoyed high welfare benefits since World War II, this fact has not changed the exploitative nature of capitalism, has not mitigated the exploitation of working people, and still less has changed the exploited and enslaved position of wage workers.

As mentioned above, under the capitalist system, social welfare funds are part of the value of the workers' labor force. Guaranteeing the surplus value of the bourgeoisie is a necessary precondition for increasing these funds. Although social welfare funds have increased, the workers' working hours can still be divided into necessary laboring hours and surplus laboring hours. Thus the bourgeois practice of wringing out the workers' sweat and blood has not changed in the least. The workers' position of being exploited and enslaved has also not changed in the least. Long ago, Marx pointed out: "As better food and clothing, better treatment and more property could not eliminate the subordination and exploitation slaves suffered, the same change will also not eliminate the subordination and exploitation wage workers suffer. In fact, the increase in labor prices owing to the accumulation of capital only shows that the golden chains binding wage workers have become slightly looser." ("Das Kapital," Vol 1, p 678)

Furthermore, even an increase in social welfare funds cannot mitigate the degree of exploitation that workers suffer. Quite the opposite: by improving the welfare system, monopoly capitalists can mobilize the producers' initiative and improve productivity. As a result, the surplus value rate can be further raised and the degree of exploitation of the workers is also increased.

According to statistics, in the United States the workers' real income (nominal wages plus welfare benefits after deducting taxes and the effect of inflation) rose by 97.7 percent from 1948 to 1977. Of this income, the proportion of social welfare funds and capitalist enterprises' welfare funds rose from 9.4 percent in 1948 to 30.7 percent in 1977. However, in the same period, the proportion of workers' real income in the national income fell from 29.3 percent to 26.3 percent, but the surplus value rate rose from 236.7 percent to 280.9 percent. The workers' surplus laboring hours (on the basis of an 8-hour day) were correspondingly prolonged from 5 hours 37 minutes to 5 hours 54 minutes. According to Hans Tamel, an East German economist, the postwar surplus value rate in West Germany rose from 181.4 percent in 1950 to 260.0 percent in 1975.

5. Strict conditions are always laid down in the social welfare systems in developed capitalist countries; the amounts of insurance compensation and welfare allowances are too small to cover all the people who should be covered, still less to eliminate poverty.

The United States is the most developed capitalist country, but obvious defects and problems exist in its social welfare system. First, owing to harsh terms, many people, especially those in the poverty category, cannot draw any welfare allowances. For example, besides the retirees having to reach retirement age, pensions are only available to retirees if they had paid into the pension fund for a specified period of time. Disability terms are equally harsh, and a minimum period of paying premiums is required for those who draw disability allowances. Furthermore, only after being disabled for 6 months, can a person draw a disability allowance. Unemployment allowances are issued according to the beneficiaries' working time and their wage levels; these allowances are paid to them only for a specified period of time. But those who resign of their own accord and those who are dismissed for just cause are not eligible for unemployment benefits. Property ownership and income levels are strictly enforced to regulate welfare allowance eligibility. According to statistics, in June 1977, there were 7.7 million people who had suffered permanent disabilities in the United States. Owing to harsh terms, only 3.3 million of them could draw disability allowances. Second, there are some workers who are not covered by any social security measures. For example, in recent years, those covered by old-age and disability insurance only account for 90 percent of the employed workers. That means that there are still 10 million workers who are not covered. Many states in the United States exclude farmworkers, housewives and temporary workers from eligibility for unemployment insurance and industrial injury benefits. Except for those suffering from silicosis owing to having worked in coal mines, many people who contract occupational diseases cannot get any allowances. Third, the problem of guaranteeing

medical treatment to those suffering from various diseases has not yet been solved. "Medicare" and "Medicaid" so far cover only a part of the medical expenses for old people and for low-income families with children. As for the health insurance of employed workers, premiums are generally paid by both employers and workers to some private insurance companies. The premium rates are very high, but the compensation only covers one-third of the insured medical expenses. According to statistics compiled by the U.S. National Institute of Health, even considering those insured by insurance companies, there were still 24 million Americans who were not covered by any health program, and another 20 million Americans who have a low level of health insurance coverage. Fourth, social security compensation and welfare allowances are very low. Unemployment allowances are generally equal to 40 percent of an unemployed person's former wages. Industrial injury benefits are only equal to two-thirds of an injured worker's former wages. According to statistics, a single American worker can only receive a pension equal to 31 to 58 percent of his wages before retirement. A married worker can receive a retirement pension together with his family allowance only equal to 47 to 78 percent of his wage before retirement. Therefore, many beneficiaries of social security and receivers of welfare allowances still live below the poverty line.

6. The social security system in developed capitalist countries is now facing a crisis. The monopoly capitalist class in some countries is trying to undermine the fruits achieved by the working people by long-term struggle.

As mentioned above, the major capitalist states raise their social security funds mainly by taxes. Although the rates of these taxes have been raised again and again, the state revenues still cannot cover the expenditures, thus causing these countries to face an inextricable crisis. For example, because of inflation and unemployment in recent years, the U.S. Government shifted part of funds for welfare allowances from the state treasury to the social security system. Coupled with other factors, such as the fact that the proportion of employed workers to retirees has declined, the growth rate of the income of social security funds is far behind the growth rate of their expenses. According to statistics, between 1977 and 1981, income for U.S. social security funds was \$499 billion, but the expenditures of these funds were \$540 billion, thus causing a deficit of \$41 billion. In the current economic "stagflation," this is a prominent problem.

The fundamental reason for this stagflation lies in the basic contradiction in the capitalist system between the socialized production and the private ownership of the means of production. However, the monopoly capitalist class and its advisers attribute "stagflation" to the social welfare policies. They advocate that costly welfare programs have resulted in the weakening of the competitive power of their products on the international market and have fostered laziness and a dependent mentality among workers, thus lowering productivity and causing financial deficits and inflation. They maintain that the social welfare standard should be lowered and expenditures for social welfare items should be reduced. One of the major measures proposed in the "economic recovery program" of the Reagan administration is to reduce



government expenditures, especially expenditures for social welfare programs. Other developed capitalist countries are also considering taking the same measures. If they really decide to adopt such measures and put into effect plans to slash social welfare expenditures on a large scale, they will not only find that they cannot free themselves from their economic plight, but, on the contrary, they will evoke stronger indignation and opposition on the part of working people, thus further sharpening class contradictions.

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## THE PARTY'S WORK STYLE SHOULD BE GRASPED IN THIS WAY

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[Article by Zheng Nian [6774 1628]]

[Text] Recently a few localities achieved marked results and gained new experiences in grasping party work style. Their approach to dealing with unhealthy tendencies is not to be afraid of them and not to stall for time. Their methods are as follows: It is necessary to select an outstanding problem in the localities as a point of penetration; the leading bodies at various levels should set an example by each taking charge of the lower level, all the way down to the grassroots level; it is necessary not only to investigate and handle typical cases in earnest but at the same time put stress on ideological education. Evidently this is a good way for grasping party work style.

Some people say: "Unhealthy tendencies are like persistent ailments which are difficult to cure!" Not necessarily so. Whether they are "persistent" or "difficult" is decided by whether the leadership is determined to grasp them. If the leadership is determined to grasp them, they are neither "difficult" nor "persistent." If the leadership fails to grasp them, they are both "difficult" and "persistent." Recently a few localities conscientiously handled some typical cases. This news was published in the press. At the same time practical measures for checking these unhealthy tendencies were set forth and the leadership at various levels was instructed to implement them conscientiously. What with the resolute attitude on the part of the leadership and the effective measures and appropriate methods, the desired results were achieved very quickly, so that a healthy atmosphere prevailed and the unhealthy tendencies were visibly checked. The masses said: "So long as the leadership is not weak, it will be possible to improve party work style." The fact that they have won the very first battle is sufficient to explain that everything has a dual nature and that the unhealthy tendencies also have the aspect of a "paper tiger." So long as we can change the state of "being impassioned in speech, weak and flabby in action and softhearted in dealing with a problem," it is entirely possible to overcome them. In grasping party work style, it is no good to remain at the stage of issuing a general call. It is absolutely necessary to dare to grasp it and to grasp it firmly. So long as we can tackle a few issues and deal with them in a down-to-earth manner, we will be able to promote our

work. Once the general atmosphere has changed, all "persistent" and "difficult" problems can be readily solved.

Other people say: "In order to check unhealthy tendencies, it is necessary to launch a campaign. Otherwise, there will be no possibility for improving party work style." The question now does not lie in whether we should launch a campaign but in whether we grasp party work style in earnest. In dealing with unhealthy tendencies, we cannot just sit and wait. We should go into action right away and wage struggles against them. It is necessary to sum up our experience in struggle and find out the ways to defeat them. The reason why the experiences gained in these localities are valuable is that they have proceeded from reality and struggled against the unhealthy tendencies by starting from grasping the outstanding problems in the localities. We should select the point of penetration well so that we can focus our attention on the main problem. When the leadership and the rank and file are of one mind and act in unison, it will be possible to change the situation in a very short time. It is necessary, in accordance with unified planning, to grasp, supervise and inspect the work from one level to another, and check it on schedule before acceptance. This will not only build up momentum but also enable the work to be carried out in earnest, thus giving full play to the power of the organizations. With respect to those people who dare to defy the law, it is necessary to deal with them according to law. By handling a case in this way, we will be able to reap the benefit of educating many people. It is necessary to hold organizational meetings well and solve the existing problems ideologically by discussing the harm and examining the ideological roots of the unhealthy tendencies. In the past some people held that it would have been "unreasonable" or "make things difficult" if they had not practiced unhealthy tendencies, and now they hold that by practicing unhealthy tendencies, they had "vilified the party, divorced themselves from the masses, and, if these tendencies were allowed to continue unchecked, they would adversely affect the four modernizations drive." In the past some people continued to complain about being wronged in their heart of hearts after they had made a "self-criticism" and returned what they had unlawfully taken or had paid compensation for; now they keenly regret their mistakes when they make self-criticisms and feel relief afterward. We have gained this enlightenment from these experiences: various localities should proceed from the local conditions, list the unhealthy tendencies about which the masses have many complaints, select a point of penetration and, after concentrating for a period of time to solve an aspect of the problem, go on solving another aspect of the problem. It is especially necessary to seriously handle major criminal cases regarding the economy and other aspects and to investigate and handle existing major criminal cases in the economic field in which some responsible cadres are involved. By constantly grasping the problem in this way, we shall certainly be able to drastically reduce the unhealthy trends and evil practices in the party, and a completely new situation in party work style will certainly emerge.